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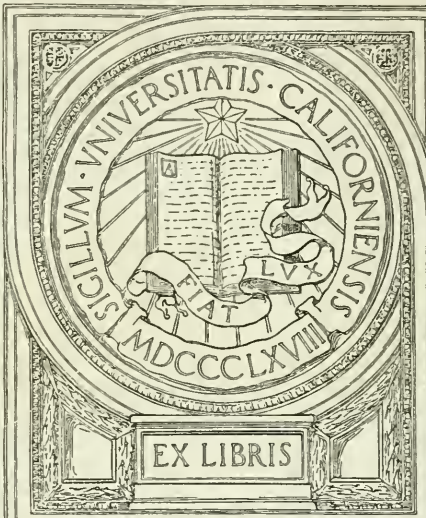

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THE TRUE FUNCTION OF MONEY

and

THE FALSE FOUNDATION OF OUR BANKING SYSTEM

By

FREDERICK RAPHAEL BURCH

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PREFACE

THE ERRONEOUS conception of the proper status and true function of money has led to its perversion, the evil result of which is so clearly evidenced by our present banking system.

In this volume I undertake to prove the following propositions:

1st. Money is not a commodity. This being true:

2nd. Money is no part of wealth. Hence:

3rd. Money can never become capital. Not being capital:

4th. Money has no earning power. And it follows:

5th. Interest, or profit, on money is unearned.

6th. Gold and silver, in common with lead and zinc, are commodities.

7th. Money is something entirely different. It has no more natural connection with gold and silver than it has with lead and zinc. We must not confuse money with the commodity which may be chosen as its tangible vehicle.

8th. Money is the medium of exchange and the measure of value; a convenient and exact method of book-keeping; and only as such does it properly function.

9th. Money is brought into existence by law.

10th. A commodity cannot be created by law. All that a law can do is to function as a law.

11th. No individual, nor body of individuals, should be permitted to own or control a function of law and charge others a tax for its use.

12th. The government is the true depositary of the law and the proper executive of its functions.

13th. These powers are usurped by the bankers and money-lenders, and the evil results of this usurpation are colossal; they will disrupt and destroy civilization unless a remedy be applied.

14th. The remedy.

—*Frederick Raphael Burch.*

CHAPTER I

THE MERCENARY FEW

AS WE LOOK back over the pages of history, and contemplate the many advances humanity has made toward intellectual and industrial freedom, we are inclined to congratulate ourselves far beyond what the facts warrant. Some of the most deplorable systems of the past have seemingly been eradicated, but they have been conquered in name only. The underlying principles of the same systems exist today, and are at the bottom of great abuses which yet obtain sanction of law and public approval.

From the dawn of history it has been the bane of the world to have a mercenary few studiously devising methods by which the many could be induced to contribute to the few the surplus of their production, and to keep the many in ignorance of the means by which it is accomplished.

In ancient Greece the oracle was the efficient means whereby the few could impose on the many by representing that the gods had commanded thus and so. Rome followed with patrician control of the land and of the functions of government. Central Europe improved on this idea and evolved the feudal system. Later, in the eleventh century, this system was established in England by William, Duke of Normandy. Under it the mercenary few regulated the

social and political relations, including the rights of landed property throughout the kingdom. A feudal proprietor was one who held his lands from another, on condition of certain services which he, as a vassal, was bound to perform for that other, as his suzerain or superior. This peculiar relation was established for the purpose of obtaining and preserving military strength. With the exception of the duty of military service to their superior, the vassals of the king practically were invested with sovereign power within their own dominions, having vassals in various degrees beneath them; and living in their fortified castles, often by means of pillage, while the peasantry were bound as serfs, or slaves, to the soil.

The feudal barons being thus in control of the land, the people were compelled to become subservient to their masters. An aristocracy arose, which enshrouded itself in the mystic doctrine of the divine right to rule; the people were held to serve, and to contribute to their masters the surplus of their production.

As we scan the pages which recount the growth of this system, and contemplate the hopeless condition of those serfs, we will unconsciously hail ourselves as thrice blessed that we, of the present day, have passed beyond such injustice. But, have we?

A system founded upon such doctrine could not survive. Conditions became intolerable. Step by step, through seas of tears and rivers of blood, the people forced their persecutors to yield ground. The entire system was builded upon the ignorance and fear of the many and the cupidity and duplicity of the few. In

France the condition of the people became unbearable. Death was preferable to an existence under such burdens. The storm broke and spent its fury in the French Revolution. Every member of the mercenary few, throughout the world, trembled, and the lesson which they learned was salient.

Before the French Revolution had convulsed the world, our forefathers were sowing the seeds of liberty in the fruitful soil of the Western Hemisphere. Realizing the palpable injustice of conditions in England, the founders of this Republic resolved to deny the hated institution of a landed aristocracy any foothold therein. No aristocratic titles and no hereditary political rights were to be allowed. The United States of America thus became the standard-bearer of the doctrine of equal rights; and the mercenary few were temporarily restrained. This condition continued till the outbreak of our Civil War.

It was while our country was trembling in the balance of national existence, that the mercenary few began to realize the power existing in the control of the nation's money. With a deliberation sublime in its assurance, the bankers set about the undoing of their country by attempting to foist an enormous debt upon the men at the front, and which they succeeded in doing in the late World War. Fortunately in the earlier day we had great and strong men at the head of affairs, and the bankers were told that their services were not required. Treasury notes and greenbacks were issued, and, to the surprise of all orthodox political economists, they actually were money, and they performed all the functions of money.

This was a condition which the mercenary few could not tolerate. It behooved them to devise a new method by which they could secure and retain control of the money. On June 3rd, 1864, the National Bank Act was passed. By this act the government is forestalled in any desire which it may have to repeat its former action and ignore the will of the bankers. Upon conforming to certain rules as to organization and operation of the banks, the bankers, in effect, came into complete control of the volume of money permitted to circulate. This leaves them the masters of our temporal welfare.

This financial body, known as bankers or financiers, has the avowed purpose of acquiring, controlling, and loaning the nation's money for their own profit. The members are evidently pledged never to invest one dollar legitimately, but rather to hamper commerce incessantly by periodically hoarding the money, thus creating a scarcity of legal tender, which in turn inflates the rate of interest and demoralizes business.

The money, theoretically the people's, but which, under the present system, is in reality all the bankers' and, under their domination and control, is periodically refused at the banks, and thereby a scarcity is created at the most inopportune time. This causes the grim visage of the torture of an earthly hell to appear within the horoscope of the man of business, and none but the banker can grant him salvation. The price of this is to pay the higher interest rate demanded and, besides, a complete disclosure of his private business affairs

and of those of his friends with whom he has or had business relations.

This association of bankers, or financiers, is as thoroughly organized as greed and selfishness can dictate. Its headquarters, we will assume, is somewhere in the old world, mayhap London. The affairs of the association in the United States are in the hands of able assistants whose headquarters are on Wall Street, New York. Every city throughout the United States has its subsidiary headquarters, and every town and hamlet, which supports a sufficient population, has its official agent,—its local bank. Each of these official agents is in the hands of *its* correspondent, and these correspondents are, in turn, in the hands of their correspondents, and so on to final convergence at headquarters in Wall Street, New York.

The association managers can push an electric button in Wall Street, and, instantly, every banker throughout the land, if he be in good standing, will feel the thrill of the contact. With the system thus organized, we will follow the career of the producer of today. He finds his existence one of unrequited toil and of hopeless labor for his daily bread. He resolves upon the only expedient by which to extricate himself. Taking his small means, he boldly enters business, that arena of fierce competition, to do battle against fearful odds. He soon learns that the scarcity of money, and the profound stagnation of that which is in circulation, has engendered a system of credits. He must conform to this system in order to compete. This soon depletes his little treasury, and, before he is aware, he has unwittingly committed the cardinal

sin of becoming short of that medium which the law ordains legal tender. Ruin, utter ruin and disgrace, the welfare of his family, the pitying glances of his friends,—all rise before him like a hideous nightmare. He feels the more advanced pangs of hell's torment. His friends would gladly help him in his extremity, but they are in the same fix, seeking, not granting salvation.

In this crisis, there is but one house of refuge open to receive him,—his local bank,—with his temporal savior, the manager thereof, waiting to grant salvation; that is, if he so sees fit. Penitently he approaches, truthfully he discloses his private business affairs, and humbly he prays for a remission of his sins,—the price or penalty thereof to suit the banker's pleasure. He thus discloses, to the very one who controls his destiny, the innermost secret of his ability to maintain independence, and has incidentally divulged the business of all his friends with whom he has or had dealings. He is now at the full mercy of the bank. There is nothing left to do but watch the banker's thumbs. Thumbs up means, let him live; thumbs down means, let him die, commercially speaking.

Thus the bank has become our universal house of temporal salvation; the shrine of the almighty dollar, our altar; and the manager of the bank our temporal savior. Under the present system of permitting money to become a profit-producing commodity, there is no escaping a membership in the faith. Deflection from its tenets brings disaster, and a refusal of the benefits of civilization.

These conditions throw him into the ranks of labor, where he is so manipulated by the very force which crushed him, that naught but his daily bread shall be his, the profits of his labor being systematically absorbed by the banks, by reason of the money loaned to his employer, as will be seen later.

The producer of today seems as ignorant of his rights as he was in former ages. He complacently accepts the doctrine, that in order to avoid poverty he must practice it; to escape being a pauper, he must live the life of a pauper; and to enjoy the world he must persistently reject all its beauties.

CHAPTER II

BANKS AND THE BANKING SYSTEM

THE business world holds the same relation to the banks and the money-lenders that the players on the outside of the table do to a faro bank. The "bank" has the medium of exchange all hoarded. This medium is evidenced by little celluloid chips or discs. The players borrow these chips by depositing money as security. Thus equipped, they begin to strive for profit by taking chances on the fall of the play. They win and lose, apparently from the "bank," but actually from each other. The "bank" loses nothing, but, to the contrary, is the only winner, the percentage on the game,—the interest.

Gambling is so demoralizing and useless that legislatures pass laws prohibiting the practice. Loaning money by privately controlled banks is just as undesirable and unnecessary: yet, under our present system, it is a highly respectable occupation.

Money, as decreed by the various governments, is evidenced by small gold and silver discs and paper. These coins and bills, as they are called, are very easily lost or stolen, and when once gone are hard to identify. It is impracticable for each citizen to provide a thief or burglar-proof vault wholly for his own use; consequently, a few men will construct a vault sufficiently large to accommodate a great number, and

others deposit their money therein. This constitutes a bank.

Naturally, the depositors do not feel that it would be fair for the banker to take care of their money for nothing, and hence arises the tacit understanding that the banker shall have the privilege of loaning the money, and whatsoever it shall profit in interest will be *his*. This arrangement is eminently satisfactory to the banker.

With this control the banker is in a position to inaugurate a system so like unto the faro game just described. He has control of the chips,—the people's money. He passes them out to the people again with the compact that they will be returned at a stated time, *plus* the interest. The people receive the chips (loaned money) and enter with zest into the grand game of profit and loss. What one wins the others lose;—but not the bank. The more some win, the more others will lose; but not the bank. Every winning by some makes a losing by others a certainty, and of which of them the banker wots not. Scarcity of money aggravates the trouble; higher and higher mounts the rate of interest; and more and more is the money hoarded. Sooner or later the people's money on deposit has accomplished a most astonishing feat: it has won itself away from the people and passed into the hands of the banker.

For all this the people have received naught in return, unless, perchance, a pleasant smile and the pleasure of being addressed by their correct names. Wall Street is the place where this system is operated

on a wholesale plan, and each bank throughout the country is an active assistant.

Imagine a business, the full productive capital of which is furnished by the people, but which is operated in behalf of private individuals, and directly against the interests of those who furnish the capital. In time the bankers have won from the people all that the people had, and this without the slightest risk and without one tap of productive labor.

The banking system divides the world into two classes—the depositors, the constant borrowers of their own money; and the bankers, the constant lenders of something they do not own, and at the price of an enormous tribute. This gain is greater by far than the gain of the most favored commodity, and is great enough to absorb in the aggregate the profits of the depositors.

Let us examine the possibilities of these gains: The Federal Reserve Act provides as follows:

"Sec. 19. Demand liabilities within the meaning of this Act shall comprise all deposits payable within thirty days, and time deposits shall comprise all deposits payable after thirty days, and all savings accounts and certificates of deposit which are subject to not less than thirty days' notice before payment. * * *

"(b) A bank in a reserve city, as now or hereafter defined, shall hold and maintain reserves equal to fifteen per centum of the aggregate amount of its demand deposits and five per centum of its time deposits."

The reserve of a bank is that portion of its deposits which is kept in hand to meet average liabilities, and which is therefore not employed in discounts and loans.

These provisions of that act make the following a possibility:—I can open a bank and the people will deposit with me one hundred thousand dollars payable on demand. As I have to keep only fifteen per cent of my *aggregate* demand deposits, I can make an initial loan of eighty-five thousand dollars. This money, in practice, is not withdrawn from the bank, but is left as a checking account. However, if the money is really taken out of the bank and paid to another person, that person immediately re-deposits in the bank. It makes no difference which bank he deposits in, as all the banks enjoy all the deposits, and this will give me my share.

That we may more clearly perceive the condition, we will say that this same eighty-five thousand dollars are re-deposited in my bank. This gives an added deposit, in the *aggregate*, and I can now loan 85% of this amount, or seventy-two thousand two hundred and fifty dollars.

This sum is re-deposited with me, and I can again loan 85% of this amount, or sixty-one thousand four hundred and twelve dollars and fifty cents.

We now understand the possibilities. Carry this computation through, and we see that a bank with one hundred thousand dollars demand deposits can be strictly within the law and yet create an interest-bearing debt of five hundred and sixty-six thousand six hundred and sixty-six dollars and sixty-six and two-

thirds cents, and in the end will have the original one hundred thousand dollars as reserve in the bank.

Figure the above sum on ninety-day loans at 8% per annum, and we find the interest for one year to be forty-six thousand seven hundred and eleven dollars and fifty-five cents, or a little over 46.7% on the original one hundred thousand dollars,—which is all the cash used in the transaction. Figure the same sum at 12%, the usury limit in some states, and we find the interest, for one year, to be seventy-one thousand one hundred and twenty-one dollars and sixty-six cents, or more than 71% on the original one hundred thousand dollars.

The same law permits the time-deposits to be so manipulated that they will create an interest-bearing debt of one million nine hundred thousand dollars, which sum, computed at 8% per annum on ninety-day loans, will yield one hundred and fifty-six thousand six hundred and twenty-one dollars and ten cents, or more than 156% per annum on the original one hundred thousand, and at 12% will yield two hundred and thirty-eight thousand four hundred and sixty-six dollars and seventy-four cents, or more than 238% per annum on the only cash in the transaction,—the original one hundred thousand dollars. Our banking system is thus in a position to receive the people's money on deposit and use it to saddle the above enormous debt upon the same people, and levy the crushing tribute which the foregoing figures disclose.

This practice of exacting interest on money by a privately-controlled banking system has brought the money,—the blood of commerce,—into the hands of

a very few; and thereby constitutes them the autocrats of our temporal destiny. They are thus empowered at will to contract or expand the volume of money in circulation. The contraction is accomplished by periodically refusing loans and calling in all outstanding obligations, which in turn stagnates and demoralizes business.

The principle of the right of money to earn interest is based upon the false conception that money is a commodity. The so-called orthodox political economist is quite satisfied with this conception. That we may perceive the fallacy of this reasoning, let us assume this idea to be sound. Under these conditions two men labor at the same work for the same length of time. One takes his pay in money, say one hundred dollars, and the other in a horse valued at an equal amount. They each start a savings-bank, one to use his money and the other to use his horse, for loaning purposes. As before seen, the man with the money can create an interest-bearing debt of nineteen times the amount of his money, and in the end will have all his money back in the bank as a reserve. Apply the privilege of the banking law to the man with the horse, and he could have nineteen horses earning for him, and in the end will have his horse back in the bank. It is evident that there are not nineteen horses earning; still, the owner of the horse can collect these visionary earnings. This is exactly what is done by the banker.

It is strange that the same intellect will pronounce this transaction the height of absurdity when applied

to the commodity,—horse,—and a paragon of common sense when applied to the alleged commodity, money.

Most people entertain a deep-seated conviction that, if a bank loans five thousand dollars, and the borrower purchases an autotruck with the money, the bank had furnished the borrower with the autotruck, and, in sound logic and justice, has an interest therein which entitles it to share in the profits earned by the truck, and also to have those profits guaranteed. Let us analyze this transaction and comprehend exactly what was done. It is evident that the borrower could not have negotiated the loan unless *his credit* was ample to cover all demands. This credit, then, was the capital with which he sought to acquire the autotruck. His credit is based upon one hundred thousand bushels of wheat of a market value of one hundred thousand dollars. He would gladly exchange five thousand bushels of wheat for the autotruck, but the seller cannot use wheat,—he must have some other commodity, or perhaps several commodities.

This gives rise to that complex exchange which requires a medium for the economical consummation thereof. The borrower must apply to the banker for a loan, that is, the privilege of using his own credit. The banker says: "Permit me to levy a tax upon your credit, that thing *you* have produced, and *I* will permit you to use it; and as a security that you will pay me this tax, together with my means of levying the same,—the principal,—you must pledge to me all your substance."

This is the unfounded and unauthorized basis upon which the profit-producing power of money is placed. An understanding of the true status of money will point the way to a correction of this evil.

CHAPTER III

THE ORIGIN OF MONEY

WHEN living in a primitive condition, human beings have no need for money. All commerce may be carried on in the primitive manner in which they live. It is natural and convenient to barter among themselves with the actual commodities at hand. Thus, one will have a fish and another a rabbit. It transpires that they are each fond of fish and rabbit and desire to have a little of each, rather than all of one or of the other. As a result, they agree to exchange one-half a fish for one-half a rabbit, and *vice versa*. Having done this, a transaction has been consummated in the world of commerce as full and complete as any which has ever heretofore been or will ever hereafter be effected. The purchase of a battleship by one nation from another is no more a complete transaction than this.

This primitive method of carrying on commerce can remain in its simplest form only so long as each member of society is an actual producer and simple and modest in his desires. Complex conditions, concerted action along special lines of endeavor, larger and more elaborate transactions in the world of commerce and multitudinous desires engendered by advancing civilization, all tend to make it impossible to carry on trade in this simple form. It then becomes

necessary to exchange credits for commodities,—hence all nations have been called upon to invent and adopt means to accomplish this end.

Evidently one very simple, natural and complete method presented itself, for all nations perceived it and all nations have adopted it—Money. By the use of this medium credits may be exchanged and complex transactions simplified both as to time and quantity. Money, then, is chosen as a medium to assist in these transactions as the natural, logical and complete solution of the problem. This is the normal, the one and only use of money. No other condition called it into being, and no conditions whatsoever have enlarged or detracted from its usefulness, nor in any way changed it from the simple meaning of its definition, "A medium of exchange."

By some strange means, however, money has become diverted from this natural and only use. By a crude course of reasoning it has been permitted to become the gyves and fetters of the struggling masses.

The human family evolved from some unknown source. According to Moses, we are descended from a perfect pair in the Garden of Eden. According to Darwin, our ancestors were not so perfect. It matters not as to our origin. We have sufficient exact knowledge of the matter to know that we have been here a long time and that history nowhere relates a change in the dominating demands of existence. Foremost among these demands is that of production. Food, raiment and shelter must be produced in order that we may live. Having thus provided subsistence, another demand of equal importance arises. We must protect

these means of existence from the encroachments of enemies. These demands were urgent, and society was called upon to devise ways and means. As a solution it became evident that two armies must be organized,—an Army of Industry and an Army of Defense. These armies, unequipped, were inefficient. The army of defense was powerless to accomplish that for which it was organized, unless armed with weapons of defense. The army of industry was powerless to accomplish that for which it was organized, unless armed with a medium of exchange,—a method by which credits could be expeditiously and economically exchanged for commodities.

These requirements were evident from the beginning. In the evolution from the family to the tribe, from the tribe to the State, and from the State to the Nation, we find, concomitant therewith, the families with their pieces of silver and slingshots, the tribes with their wampum and war clubs, the States with their currency and musketry, and the Nations with their gold standard and machine guns. The idea and necessity for proper equipment of the two armies is one and inseparable.

The army of defense is recruited from the body of the people and officered by men best suited for that purpose. The nation as a whole, acting through its representative government, determines what the equipment shall consist of, and acquires and issues the same to the army *for use only*. To each soldier is provided all the equipment he can use, to the extent of his ability(his credit.) The soldier can never acquire title to this equipment. He cannot refuse to

use it himself, nor can he loan it to other soldiers for a consideration,—a proceeding which would soon bring all the equipment into his hands.

No soldier, nor association of soldiers, can establish an arsenal where other soldiers may deposit their public equipment, to be in turn loaned to needy warriors, and always for a handsome consideration, payable to private individuals; or refuse the use of this public property to the army, though it may be in sore distress. No soldier can refuse to use his equipment and lock it up in a safe-deposit box, thereby defeating other needy soldiers in the privilege of its use. To the contrary, every soldier uses the equipment as long as he is able to, or as long as he needs it; and when the need therefor ceases, or the soldier becomes incapacitated, his equipment is forthwith deposited in a public arsenal, to be re-issued to another who is at that time withstanding the brunt of battle.

This system of strict accountability to the people through their organized government makes for the highest efficiency in the army of defense. Soldiers and equipment are ever ready and answerable. In periods of great strife and dire necessity there is no haggling with a coterie of private individuals for the use of equipment, with a possible refusal *in toto;* and if granted, it is done at a price that is staggering.

The army of industry is recruited from the body of the people and officered by men best suited for that purpose (the employers). The nation as a whole, acting through its representative government, determines what the proper equipment for this army shall consist of, and acquires and issues the same. It is

needless to say that the equipment in this case is money,—a medium of exchange.

Thus far these equipments seem identical. They are for the same purpose, are determined and issued by the same authority, and in ample quantities to insure efficiency. At this point, however, a radical divergence occurs. In the place of this last equipment being issued to the army of industry *for use only,* it is the accepted opinion that it is issued as a commodity, to be bartered and traded like any other commodity. The purpose for which it was devised is ignored, and the question of the efficiency of the army is relegated to a seat far in the rear. The proper idea, in the accepted opinion of mankind, is promptly to begin to barter, trade, and haggle with this equipment. The first who will refuse to be a soldier and refuse to use his equipment (Money), but loans it to some needy warrior for a price, and persistently follows this course, soon blossoms forth as an eminent financier. He who thus refuses to take his place in the ranks obliges others to fight his battles for him and levies a crushing tax on them for the privilege.

The first individual or coterie of individuals thus refusing to become soldiers and refusing to use their equipment, but instead will construct a depository for such equipment (a bank) wherein all other individuals who refuse to use their equipment may come and store the same, will be most advantageously circumstanced.

They who thus refuse to answer the draft are now in a position to take that which they do not even have the use of, and so manipulate the same that the

boys in the trenches do not know from one day to the next how much equipment will be at their disposal. The manipulators, far in the rear, are sole arbiters of this matter, self-constituted and answerable to no appeal. At best, if those in the forefront of strife are to have the use of any of this equipment, it is at the price of a crushing tribute. Whenever it is to the best interest of these manipulators, the demand for equipment in the trenches is ignored; as a result the army is paralyzed, the common foe of starvation and misery stages a drive, the army is routed and, being closely pursued, the retreat becomes a panic. They are now perfectly good soldiers out of a job. They have become a motley, disorganized mob, generically known as the ranks of the unemployed. They meet on a neighboring sand lot and vehemently denounce their officers and the entire staff for this *debacle*. The officers and staff in turn hotly respond and blame the rank and file.

The real cause of the trouble should be laid at the door of those manipulators who, for private gain, refused the use of public equipment.

CHAPTER IV

DEFINITIONS OF MONEY

THE definitions of money adopted by modern political economists are:

1st. Money is a medium of exchange.

2nd. Money is the measure of value.

3rd. Money is the circulating medium.

The third definition is quite meaningless. It conveys no definite idea.

Money is the established measure of value (primarily of the value of credit) and takes its place among the measures of other quantities, such as length and weight.

Every article of wealth (commodities) contains one or more of three elements—weight, dimension and value—which must be standarized. (Credit has but one element, value). To accomplish this, a unit for each element is established by law. These units are simple and familiar to all: the yard, the pound and the dollar. There is nothing intricate and mystifying about any of them. Honestly to perform their functions, it is vital that the yard be maintained a yard in length, the pound a pound in weight, and that the dollar be a dollar-worth. The yard measure and the pound weight are fixed and stable and will fully perform their functions at any time. The dollar is not stable—that is, not always of the value of a

dollar-worth—a condition which materially impairs its usefulness. The accepted idea that money is a commodity, subject to private ownership and control, prevents it from thus properly functioning. This condition arises by virtue of the fact that the dollar, in addition to its function as the measure of value, must also serve as the medium of exchange of credits. This added function is as simple and natural as the former, provided that the dollar is permitted to assume its true status. Under our present system this is not possible.

None of these definitions, either directly or by implication, describes money as either gold or silver,—a commodity,—an article of commerce to be bought and sold on the market as a profit-producer. None of the political economists, whose works it has been my pleasure to peruse, have in any way intimated that such a definition would be correct. Most of them are content with the simple phraseology of "money is the medium of exchange." Webster defines it as "a medium of commerce." He also defines a commodity as "including every thing movable that is bought and sold—goods, wares, merchandise, produce of the land and manufacturing," etc.

Money is the medium chosen to facilitate the interchanging of commodities by the use of credit. If that medium should become one of the commodities, it must, as a matter of necessity, lose its identity as a medium of exchange. The assumption of such diametrically opposed characteristics is untenable; and when we further consider that money is by law made legal tender, that is, "currency that the law permits

one to offer, and requires another to accept, in payment of a debt," it is impossible to contemplate it as a commodity.

Commodities are the basic foundation of all production and commerce. Nothing else is wealth. Any *product* of labor, physical or mental, which gratifies a desire of mankind is a commodity, and is subject to private ownership and control; and, if it be a *tangible* thing, it is proof of its own existence and quantity.

Credit is the *right* to exercise private ownership and control of a commodity. It is no part of wealth. Credit may be specific or universal,—specific, when attached to a particular commodity, and universal when it may be applied to any commodity and at any time. The commodity and the credit in the commodity are separate and distinct negotiable entities, and they may both be in the same owner or each in a different owner, and in that case the commodity is proof of the existence and the measure of quantity of the credit.

In commercial transactions one may sell his credit and reserve the commodity; or, he may sell the commodity and reserve the credit; or he may sell both the commodity and the credit. If he desires to sell his specific credit and reserve the commodity, he executes a note and mortgage on the commodity, and the transaction is termed a loan. If he desires to sell the commodity and reserve the specific credit, he transfers the commodity to the purchaser and accepts a note and mortgage on it for the purchase price, and the transaction is termed a sale with note and mort-

gage back. If he desires to sell both the commodity and the credit, the sale is made without reservation and he accepts as the equivalent a universal credit in all commodities: this transaction is termed "for cash."

Commodities and credits are the only entities negotiated in any of the foregoing transactions, and they each have their value *inherent*. This value exists without the aid of or the slightest reference to money. If it were possible to assure the world, by individual testimony, of the existence and amount of credit desired to be exchanged at any time, money would be an unknown quantity. Credits could be passed in parole, and commerce could thus be carried on without difficulty.

A credit can be created only by first creating an article of wealth,—a commodity. The creation of money does not create credit, for a commodity which must precede a credit cannot be created by law. In order to acquire money an individual must first have a properly created credit. Having this credit already, money adds nothing to its value. Accumulation of money by interest on money does not accumulate an honest credit, for credit thus accumulated has had no article of wealth previously created for a mother; and as it must have had such a mother, it must have been taken away from the creator of that mother, and for no value received.

As long as a credit can be traced to the commodity which gave it birth, that commodity is proof of the existence of the credit and its quantity; but when it becomes universal it lacks this proof. This

defect was easily remedied. The people, by agreement which has passed through the proper channels of civilized governments and has been crystallized into law, are to guarantee all representations of any owner of credit as to its existence and quantity while in this intangible and universal form. The governments accomplish this by issuing authentic and guaranteed proofs of these facts. This proof has a standardized unit, and is issued in such unit, and fractions and multiples thereof, that any desired quantity of credit may be accurately measured.

The means or substance employed to convey this governmental guaranty could be anything, subject only to the requirements of convenience and stability. Gold and silver have been chosen, not with the slightest reference to their value, but solely to such convenience and stability. Paper is far more convenient, but, unless limited to a fixed standard, it lacks stability.

I call your attention to the fact that our copper coins are not redeemable in gold. Their worth as money depends entirely upon themselves. Cast copper is worth, on an average, fifteen cents the pound; coined copper is worth one hundred and forty-five cents the pound. Neither value is related to nor does it in any way affect the other.

That we do not confuse *money*,—that entity which is created by law,—with the substance, gold or silver, is paramount. Gold or silver bullion is a commodity; when coined it is devoted to the purpose of conveying that intangible function of the law—money—and it then ceases to be a commodity. Gold

and silver bullion is not *money* any more than is lead or zinc. Even though a nugget of gold of the exact weight and fineness of a ten-dollar gold piece were coined exactly as money by an individual, it would not be money. It would be a counterfeit. Gold and silver must have some added attribute before they can function as money, and this attribute could be imparted to lead or zinc as properly as to gold or silver. This attribute has no connection with nor dependency upon the substance which may be chosen as its vehicle. It is an entity within itself,—a law, whose only purpose is to function as a medium of exchange and legal tender. The failure to distinguish between the two entities, money and gold, leads to a confounding of the two, with the resultant generally accepted belief that they are one and the same thing and that that thing is gold.

This vital distinction having escaped them, they who are profoundly versed in the laws of economics have no difficulty in rapidly reasoning as follows:—Money is gold; gold is a commodity; a commodity is wealth; wealth can become capital; capital has earning power and is subject to private ownership and control. Hence, *a fortiori*, money—a law—has earning power and is subject to private ownership and control. This again emphasizes the importance of having a correct starting-point if you wish to find a correct stopping-point in any excursion, be it in travel or speculation.

As gold and silver bullion has no value nor earning power *as money*, but requires an added attribute

before it can function as money, and as that added attribute is created by law, then that added attribute has no value nor earning power, for value and earning power cannot be created by legislation. The votaries of our present monetary system strenuously affirm this economic fact when mention is made of issuing inconvertible paper money.

Take the two pieces of gold mentioned above;—of the same weight and fineness and coined in exact duplicate, one by an individual and the other by the government. One will be money and the other a counterfeit. One is the medium of exchange and legal tender, the other is not. A vast difference exists. Lay them upon the table before you; carefully scrutinize them and see if you can discover what causes this difference. You will fail. The only answer you can give yourself is, that you have *faith* in one and *doubts* about the other. You have faith in the one because you have faith in your government and the laws promulgated by it. This *faith* which you have in the laws of the land is what constitutes *money, and faith is not a commodity*. No individual can have a right to control the volume of that faith to be exercised by others, nor has he a right to tax others for the privilege of exercising their faith in their government just as freely as is his own right.

Gold and silver are the physical substances chosen by which to convey the government's proof and guaranty, just as I use the paper upon which I now write to convey my thoughts. The medium itself may be of little or no value; it is the proof and guaranty stamped

on the medium which function and are of value. Money in its last analysis is but a function of government, and it is this function which the bankers and money-lenders arrogate unto themselves as a commodity, and for the privilege of its use levy a private tax upon industry and commerce.

If a loan were made to one without credit, he would be getting something which he did not previously have; but money-lenders do not do business that way. No one can borrow money unless he first have a specific credit. As he already had the credit, he does not desire to borrow any more credit. His pressing need is to be able to convert his specific credit into a universal form. This he cannot do except in the manner provided by law. This way, this law, is in the control of the money-lenders, and the capitalizing of this law of the land is what is known as the banking business.

Conceding money to be a commodity is the error upon which all subsequent reasoning is based. This opens the portals, and the logic of economics carries us irresistibly to an erroneous conclusion. Having accepted money as a commodity, it automatically follows that it is wealth, and this in turn gives it the properties of capital, thus assuring it the right to earn. Having established its status as a commodity, all the prevailing rules of political economy are easily and conclusively applied. The most convincing logic, when applied to an erroneous assumption of facts, gets us nowhere. No assertion is as valuable as one small fact. Neither a law nor the functions of a law can become a commodity.

The basic foundation of civilized governments is security to each individual in the undisturbed possession of all the things which are rightfully his. These things are the articles of which the world's wealth is composed; hence the true interest of each individual lies in an assurance that he will be protected in the ownership of these things, and in his credit or right to them. This assurance is evidenced by money; money is thus the guaranty of the government. That is what it is created for, and that is what it should be used for; and to that end, the government, and the government only, should have control of that guaranty for which it alone stands sponsor.

What a travesty to contemplate a private individual dictating terms as to time and quantity of governmental guaranty, and this for purposes of his own private gain! These tokens of the government's guaranty must be permitted to flow freely for the purposes intended, and they must not be allowed to become stagnant and clogged at the individual caprice of anyone.

In the first instance, this protection of an individual's rights by civilized governments is evidenced by money as a matter of convenience only. The real guaranty to the citizen is his faith in his government. This is, in fact, what money is based upon. This good faith of the government and the people, and of the people one with the other, is preserved by a simple record of each day's transactions,—book-keeping.

In this system of book-keeping, wherein each transaction of the day is conveniently and correctly

recorded, money is the great day-book; the sum total of the entries therein must be posted to the ledger, the government bank, so that it,—this great day-book,—may be free for entries on the following day by those who so desire.

Let us use a simple illustration of this book-keeping. The City of Seattle owns its street-railway system. Owing to the price paid for this utility, plus the interest charges, it became necessary to place the fares at 8 1/3 cents. As this is a sum which cannot be paid in money, the city adopted the expedient of coining and issuing metal tokens, each token representing the price of one fare.

For the purpose of exchanging credit for street-railway service, these tokens thus became the medium of exchange, and also legal tender, as fully as those functions apply to money. For the purpose thus indicated these tokens are *money* in its fullest sense.

The depositary of these tokens is the city, and they are distributed through various agencies, the most popular of which consists of the conductors on the cars. Thus the volume of tokens in circulation is controlled by the city and is in such quantity that any patron of the railway can easily get the use of them to the limit of his universal credit as evidenced by that guaranty—money. We never hear the complaint that "tokens are tight." The idea that they are a commodity to be owned and controlled by individuals and used for profit-producing, or that they can come into the hands of a few and be so hoarded as to produce a panic and hard times in the railway service, would be scouted by the most ordinary of minds.

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These tokens function freely, keeping an exact account of the amount of credit exchanged daily for service, and everything co-ordinates with precision. Without them a most annoying and interminable system of accounts would be necessary, which would produce a condition approaching the impossible. As the tokens are redeemed daily by the city, they become immediately available by the patrons of the road for further use.

Picture to youself the conditions if these tokens were issued by the city as a commodity, to take their place in the world of commerce as capital. You can easily perceive that a few of the patrons of the railway, who will have the instincts of the banker well developed, could and would "corner" the tokens and refuse the rest of the patrons the privilege of acquiring any, unless they "borrow" them and pay the "bankers" a tax for their use. You can also visualize a periodical scarcity of tokens caused by a refusal of those who "own" and control them, even to make a "loan." This will produce the spectacle of a fully equipped and robust railway system standing ready to perform its functions, on the one side, and, on the other side, thousands of patrons with unlimited credit desiring to avail themselves of the service. Between them stand the "bankers" in complete control of the situation by virtue of their control of the medium which would permit of co-ordination. The result of it all would be misery and disruption to the patrons; bankruptcy for the railway, and destruction of the service.

As you contemplate this picture and learn to loathe it, you may truthfully assure yourself that

you are gazing upon an exact replica of the *masterpiece,* painted by the bankers and money-lenders, depicting present conditions in the commercial world as brought on by the accepted idea that money is a commodity.

If the control of money were retained by the government and a free and adequate circulation thereby assured, the industrial and commercial world would be as free from economic upheavals as are the patrons of the Seattle street-railway.

CHAPTER V

THE PERVERSION OF MONEY

MONEY is perverted from its proper use by conceding to it the status of a commodity and thus permitting it to enter the field of profit-producing.

Demanding and getting interest on money results in hoarding the same. Hoarding money takes it out of circulation; taking it out of circulation produces a scarcity. This, by the natural law of supply and demand, creates a market value. The greater the scarcity, the keener the demand, and the higher the market value or profit. This in turn accelerates the hoarding process, and so on *ad infinitum*.

Money is the blood of commerce, flowing naturally through the veins and arteries when commerce is normal. When commerce is abnormal, and congestion occurs at any place, money should, and would if permitted, flow to that place and restore equilibrium, just as the blood does in a living body. Should there be a demand for a certain commodity in one locality, and a surplus of the same commodity in another, money will pass readily to the surplus, supply the demand and thus restore the equilibrium.

It is the water of commerce, constantly carried back to its source, to flow down the mountainsides, across the plains and meadows, ministering to the

wants of animal and vegetable life, causing all to rejoice and revel in health and happiness.

Would anyone believe that things were as they should be if the blood, as it courses through the veins to the heart, were not permitted to return through the arteries, to perform its natural function without paying toll to some private individual standing by the gates to the heart?

How long would the dews, and the rains from heaven, and the rivers and rivulets of the world give life to this fair land if the sun should fail to evaporate the full amount of that vital fluid, to be wafted back to its source; but, to the contrary, should levy tribute and give back a diminishing supply? Devastation, as swift and sure as night follows day, would be the result.

Money, when first issued, is akin to water; it flows freely over the land; it is taken at its true value and moves easily for the purpose intended. Out it rushes through natural channels, like water, slaking the thirst of animal and vegetable life. All are welcome to come and partake of the bountiful gifts of God. Onward they flow, dispensing joy and satisfaction along their paths, till the water is finally discharged into the sea, and the money into a bank, where they immediately change character. The water becomes contaminated with the salt sea, and will no longer invigorate the land; the money becomes contaminated with the blight of interest, and no longer animates commerce. The water must be distilled by the sun before it is again fit to purify the earth; the

money must be distilled by labor before it can again enrich the fields of commerce. The sun distils and gives back freely every drop of water; labor can distil but a percentage of the money deposited in a bank. The remainder is left in the hands of those who have no right thereto,—the bankers and money-lenders,—to be used as the instrument with which they exact the fruits of labor from a suffering and struggling humanity.

The rapidity of interest accumulation is realized but by a very few. A tabulated statement exhibiting this phenomenon will be interesting and instructive:

Money at 4% simple interest doubles in 25 years.
Money at 4% compounded yearly doubles in 17.6 yrs.
Money at 5% simple interest doubles in 20 years.
Money at 5% compounded yearly doubles in 14.2 yrs.
Money at 8% simple interest doubles in 12.5 years.
Money at 8% compounded yearly doubles in 9 years.
Money at 10% simple interest doubles in 10 years.
Money at 10% compounded yearly doubles in 7.2 years.
Money at 12% simple interest doubles in 8.3 years.
Money at 12% compounded yearly doubles in 6.1 years.

Compared with the profits in some lines of speculation, for a short while, these gains seem small; but when we consider that they are certain and will continue forever, and are constantly augmenting the earning power of money and correspondingly decreasing the amount in circulation in the hands of the honest investor, one may readily see the enormous gains that eventually result.

If commodities and money were left in their proper

spheres, that is, the commodity, the real value and producer of profits; and the money, a mere lieu or factor of exchange, with no real value, and non-profit-producing; it does not require a very profound deduction to conclude that the commodity would be the thing of interest, and the money a mere auxiliary thereto. Money would be seeking investment; there would be no incentive to hoard and withhold it from use.

That this natural and logical condition does not exist is patent. That the dollar is king and master is evident to us all. That money has acquired an unnatural value and power is apparent. Money has become the master, commodities the servelings. To have accomplished this, money must have met commodities in the open field with favors and come off the victor. Money must indeed have become the commodity, the profit-producer, and the true commodity a mere incident, or, at best, a very poor second. It has been permitted to enter a perverted channel and to become a producer of profit; something entirely foreign to its original and only intended use.

This new use, or rather abuse, of money brings its natural results. It is now to the interest of the profit-seeker to hoard money, take it out of circulation, bend his energies to the accumulation of cash, and despise the production of useful commodities.

We have seen that the only use for which money was called into being is to assist in economically transacting business. It is merely an incident of commerce, secondary and subservient to the various commodi-

ties, in the economical exchange of which it is but an humble servant. It is the blood of commerce, carrying its red corpuscles, gold, and its white corpuscles, silver, throughout the commercial world.

As long as money is left to its legitimate use, it flows readily, constantly seeking investment in labor or some profit-producing commodity. Under the present system it is used to cripple industry and to stagnate commerce.

We will assume that the great struggle between money on one side, and capital and labor on the other, were simmered down to a simple transaction between two individuals; one with the productive capacity of brain and brawn, the other with a bag of money. The first is actively engaged in producing something to gladden the heart of man; the other is stolidly seated on his bag awaiting the day when the first shall feel the effect of the scarcity of the medium of exchange, the legal tender, and by law must come to him to get it. Thus, by a stroke of a pen, he can take from the real producer of wealth all the surplus of his earnings; in other words, exploit him.

A young man, rich in brawn and with a fine and active brain, will, under the present system, find himself at a loss to acquire some needed legal tender with which to discharge his obligations. He applies to the only source where he can get it, to the man who has it all hoarded and out of circulation, awaiting this very moment. He will say: "I am a young man, strong and active, and I apply to you to exchange some of

your hoard of legal tender for some of my labor." The money-lender responds: "If I employ you, and agree to pay you wages, that is, agree to give you some of my legal tender for your labor, I will be exchanging a certain profit-producer, money, for a very uncertain profit-producer, labor. My money will pass from me forever, and in its place I accept an article which enters into direct competition with all other articles of its kind,—one of the very articles which now stand as a bulwark between my money and loss. It would not be good business; my profits would be too uncertain and my danger of loss would not be properly safeguarded. I must decline to let you work for any of that article which the law says you must have in order to discharge your obligations. However, if you will hypothecate the accumulations of your past life to me, and agree to give me the profit from your future earnings, I will *loan* you the required amount."

"But," expostulates the victim, "if I do that, I will become your slave forever, as I can never return the principal, and in a short while you will foreclose and take from me, according to law, all which I have."

The money-lender replies, "If you do not borrow from me sufficient of that article which the law says is legal tender, to comply with the demands of your creditors, that selfsame law will declare you a bankrupt, and you will of a certainty lose all you have. If you borrow of me, and agree to become my slave, you have one chance in ten thousand, during the succeeding years of your life, of having the wheel of

fortune so turn that you will be mercifully delivered from this bondage."

"I cannot see how you can be so unjust," observes the victim.

"Tut! tut!" replies the money-lender suavely, "you forget that I am foregoing for a time the use of this money."

"Well, if you have any use for the money, how does it happen that you can spare any of it to loan?" asks the victim. "I have people owing me who are in the same condition that I am. If they could get money and pay me, I could discharge my obligations. Go ahead and use your money for the purposes for which it was intended. Employ labor, purchase some legitimate commodity, and it will do me as much good and will have the added blessing that I will not become your slave."

"Exactly," smiles the money-lender. "But I have a better use for my money. I am going to loan it either to the man who owes you, or to the man who owes *him*. I am not particular who first becomes my slave. Sooner or later I will have you all. As I am an eminent financier, lauded and emulated, I do not stoop to note a little thing like that. Think promptly and act with decision; it is the secret of success in business. You must choose now, and choose quickly, between certain bankruptcy and a period of years of bondage. *One* tenders you nothing but the shame and disgrace of failure, with its taunts of bad management and incompetency; the *other,* secrecy, the staving off of the fatal day, and the hope that some time you may

have the good luck to be released from servitude and again be a free man."

The young man grasps the situation. With a sinking heart, he bows his head and meekly receives the yoke.

This picture is not overdrawn. It is the actual condition in the business world today. Nor is this the worst. If the transaction could be confined to the actual borrower and lender, there would be hope that this traffic in human misery would be brought to an end. But it is not so confined. Our governments, State, city and county, are industriously borrowing for us and pledging our labor to a coterie of rapacious bond-buyers. Every railroad, every steamship company, every industry, a vast majority of the farmers who produce our food-stuffs, are borrowing for us and passing the burden along to their patrons and customers, as an indirect tax, to be bled and torn from their hearts. And all this based upon the same peculiar logic.

The money of the world is in the hands of the professional money-lenders and bankers. In order to finance any project of today, it is necessary to call upon them for the funds. It is impossible to persuade them to make a legitimate investment; that is, one where they will have to assume their just share of loss. It is much better for them to adjust matters so that they will have the lion's share if profits result, and immunity from loss if such occurs. Hence, to accomplish any given object in the commercial world, the projectors thereof must assume all loss,

guarantee profit to the money-lenders, and pledge the whole project to this end. This places the business world at the mercy of those who traffic in the people's money.

How different it would be if the money-lending class were eliminated, and every one compelled to invest his money in its true sense!

We have, in the last few years, heard very much of the necessity of governmental control from one school of thinkers, and of government ownership from another school. It is a significant fact that the corporations whose colossal disregard of the rights of the people has given rise to discussions of these differing methods of solution, are corporations whose existence was made possible by, and whose actual organization was the direct act of, the power engendered by interest on money. Every line of industry which has been united so as to control prices, that is, "trustified," has received this treatment at the hands of the banks. Independent concerns were bought at fabulous prices, placed in a trust, and the price of the products controlled; and all by virtue of the enormous amount of bonds purchased by the banks and the money-lenders, the burden of which is laid directly upon the people as an indirect tax.

With every trust and with every corporation there is a stock issue. This stock is for the people just as far as they will invest. Every dollar thus invested by the people in stock widens the margin of security for the bonds owned by the banks. In other words, the banks and money-lenders never intended to

do more than loan money on bonds; and by "trustifying" the concern they control the earnings and thereby make the interest more certain, and a narrower margin of security may be maintained.

The system of interest on money has already resulted in a condition so alarming that one stands aghast at its danger. No undertaking of any magnitude can be consummated without the consent and assistance of the Wall Street interests.

The only way to relieve those interests of the duty of private tax-collectors is to stop traffic in the people's money.

It is suicide for people to vote municipal bonds in the belief that they are putting money into circulation and thereby securing employment. The money thus earned by them is, after all, but borrowed money, and must be, by them, returned, every penny, with interest. They are simply adding fuel to the flame which is consuming them. They are drunkards begging at the bar for one more drink. It gives them a moment's satisfaction at the price of an acute aggravation of hell's torments which are sure to follow. The good, if any there be, in this custom of borrowing money, sinks into utter nothingness when compared with its widespread iniquity. Money drawing unto itself more of its exact self, and without the slightest risk, effort, or loss, is a hideous monster which fattens, grows strong and becomes arrogant on a diet of its own vomit.

Nothing performs service for mankind without parting with some of its vital substance. It is this

vital substance which is converted into the material wealth of the world. Money parts with no vital substance. It is merely the medium of exchange for the items which go to make up this wealth; mere certificates of deposit, declaring that the owner has a credit of just so much in the world's wealth, but which he cannot withdraw unless he surrenders the certificate.

We, the people, are the owners of the wealth of the world. Money constitutes the credit-slips, or certificates of deposit, which we use as a matter of convenience and are all hoarded in the hands of money-lenders and the banks. These slips or certificates are, by law, made legal tender. We must meet our obligations with legal tender. These credit-slips or certificates of deposit, under the present system, are more productive of profit than are the items of wealth for which they stand. The law makes it incumbent upon us to get them. Under this system we are compelled to borrow them, and must pay for this a ruinous rate of interest.

We are told in the books that the reason why money should be placed in the realms of earning, or profit-producing commodities, is that the money-lender is foregoing the use of it during the period for which it is loaned, and that he should be recompensed for this forbearance; that is to say, if he did not loan the money to someone, he could and would invest it in a way which would bring him profit. This is a false and unwarranted assumption. Why should we conclude as a fact, beyond peradventure of a doubt, that his investment would prove profitable,—then bor-

row his money, do all the work, suffer all the anxiety and take all the chances on loss and bind ourselves to make it doubly sure that his money will be a winner?

To the contrary, the professional money-lender, one who has done nothing through life but gain his substance from the people *via* the interest route, is usually unsuitable by temperament or experience to invest his money judiciously; and it would be a much more reasonable assumption that his ventures would be failures. Yet an idea has gone abroad that if the money-lender did not accommodate (?) someone with a loan, he surely would make as much and more by investing the money himself; and a thoughtless world surrenders to this reasoning.

Primarily, laborers are to be paid in that for which they were laboring—clothing,food,etc.—and to have the same delivered to their respective markets. This method has been found impractical, and civilized nations have therefore hit upon the expedient of the employer's giving and the laborer's accepting tokens of credit. These tokens are the tangible representatives of money, and it will be particularly noted that in the correct course of business they must be fully surrendered before any of the wealth for which they call will be delivered. Loaning these tokens to the depositary does not have the effect of gaining possession of the wealth. The only way the employer has to get these tokens of credit is to borrow them, and he pays the laborer with borrowed money. It is a self-evident fact, an axiom, that a dollar borrowed re-

mains a borrowed dollar till returned to the owner, no matter whose nor how many hands it has passed through. The laborer takes this money and feels that it is really *his*. He assures himself that these dollars are exactly what he was laboring for, and he is aware that he can take them to the world's clearing-house and exchange them for their face value. He is content to rest at that. He can realize only the outward manifestation; he cannot conceive that there is any trick about it. Let us see:

Now, if those dollars were really his, and he exchanged them for wealth, he would part with the dollars, accept the wealth, and have no further concern. This is not true of his borrowed wages. When he accepted those borrowed dollars in payment, he accepted them with the same demands thereon that they had in the hands of his employer; that is, in nine years to be returned, and as much more with them. When he exchanges them for wealth, he is still beholden to his employer to pay interest thereon, which we have seen will amount to a like sum in nine years at eight *per cent per annum* compounded. Hence it devolves upon every laboring man to earn the amount of this interest every nine years and present it to his employer, that his employer may have the use of the money from the money-lender.

This is the difference between laboring for a legitimate medium of exchange and laboring for borrowed dollars. If one labors for properly invested dollars, he would take his pay and the transaction would be closed. If, however, he is laboring for borrowed dol-

lars, he must then begin to pay interest on his earnings.

This principle cannot be impressed too firmly upon your mind. The original borrower of money does not propose to pay either the principal or interest himself. He intends to pass that duty along to the ultimate consumer, and will make his collections by adding the amounts to the price of his wares. When he pays this borrowed money to a third party, as to an employee, for example, the employee labored therefor just the same as though he was earning it; when, in fact, he is laboring for the privilege of taking his employer's place as a borrower; in short, he is laboring only for a loan. He is not really laboring for the money, but for the credit which the money will guarantee and measure. We will assume that he labors one day and receives therefor a borrowed dollar in payment. With this dollar he purchases a meal of victuals. Now as a fact, he has earned that meal with his day's labor. He has paid for it in full, and the transaction should be closed. He thinks it is. He little dreams that he will now commence to pay interest on that meal and will continue so to do as long as the debt remains unpaid to the original lender. This is the condition of the laboring man and of all consumers, notwithstanding that they have not borrowed, and cannot borrow, a dollar directly. They are made the goat of that unfortunate system which can be sustained only upon the false conception that money is capital. The evil of this system is plain. The people have no voice as to whether the loan shall or shall not be made; and,

when made, they have no say about the rate of interest to be paid. The captains of industry fix the amount of our loans and set the rates of interest thereon, and the people are bound to meet the demand. It is useless to contend that this is a matter of private contract between the borrower and the lender. The people, the real parties in interest, are not permitted to be parties to the contract.

In this respect, they are like the slaves of old, whose condition in that day was justified by philosophical sophists, on the ground that they were parties to a contract. One of these pseudo-philosophers was arguing to Voltaire upon the correctness of this view, whereupon Voltaire replied: "I cannot believe it to be true, unless you show me a copy of that contract, signed by the party who is to become the slave."

We now clearly understand that all the money in circulation among the people, and which they think is really theirs, is in fact borrowed money, owned by no one but the money-lenders; further, that this money which the people think is theirs is bearing interest, and that the people are paying this interest, and that also in cash, borrowed in the same way: thus borrowing money to pay interest on borrowed money.

"A vampire," as defined by Webster, "is a dead person superstitiously believed to return in body and soul from the other world, and to wander about the earth doing every kind of mischief to the living, and to suck the blood of persons asleep, thus causing their death. Hence, one who lives by preying on others; an extortioner."

Money, permitted to assume the *role* that it does under the present system, is the colossal vampire of today. It is not a creature of superstitious imagery, but is a living personification of fact. It excels the mythical vampire, as it does not need to remain in person while sucking the blood of persons asleep. It needs to be present but one year, at which time it will be partially relieved; and, at the end of nine years, working on an eight *per cent* basis, it will be fully released from personal supervision of its "industry;" yet, although it is thus released, and has gone to other "attractive investments," the wound in the first victim never heals, but continues to flow its full quota of blood, to be delivered to the vampire at certain fixed times. The victim dies a lonesome, lingering death, without gaining consciousness.

CHAPTER VI

THE FALLACY OF INTEREST

THE custom of securing money against loss, and guaranteeing it a profit, was in olden times denounced as unlawful and immoral. The evils of the system were felt by the Jews in Old Testament days:

"And there was a great cry of the people, and of their wives* * * * we have mortgaged our lands, vineyards, and houses, that we might buy corn, because of the dearth * * * * we have borrowed money for the king's tribute * * * * Yet now our flesh is as the flesh of our brethren, our children as their children; and, lo, we bring into bondage our sons and our daughters to be servants, and *some* of our daughters are brought unto bondage *already;* neither *is it* in our power *to redeem them;* for other men have our lands and vineyards. * * * * I rebuked the nobles, and the rulers, and said unto them, Ye exact usury, every one of his brother * * * * We after our ability have redeemed our brethren—the Jews, which were sold unto the heathen; and will ye even sell your brethern? or shall they be sold unto us? Then held they their peace, and found nothing *to answer.* Also I said, It is not good that ye do: ought ye not to walk in the fear of our God? * * * * I pray you, let us leave off this usury. * * * * Then said they, We will restore *them,* and will require nothing of them."—Nehemiah, 5:1-12.

In those days interest in any form was termed usury.

"He hath given forth upon usury, and hath taken increase * * * he shall surely die; his blood shall be upon him."—Ezekiel, 18:13.

Aristotle condemns interest as vicious, holding that money is "naturally barren," and that to make it "breed money" is preposterous and a perversion of the end of its institution, which, he declared, was to serve as a "medium of exchange" and not for purposes of increase.

The Christian Church and laymen early condemned the custom, and held any interest to be usury and against good morals. The secular law followed, and the taking of interest was forbidden in England from the reign of King Albert in the ninth century to the time of Henry VIII. At that time, 1545, interest at 10% was permitted. Seven years later, during the reign of his successor, Edward VI, interest was again prohibited, A. D. 1552. This was the status of the question till the reign of Anne, 1713, when interest was again legalized and the rate fixed at 3%, and it was not till the year 1854, during the reign of Victoria, that all restrictions were taken off and the institution recognized as a factor.*

*"The first gold and silver coins were brought from Asia to Hellas as an article of Commerce. Gradually they came into use as money. After the State had commenced to coin its own money, for a long time there existed only a small amount of coined money in the land, and this was chiefly in the hands of the men of business and merchants. As soon as money ceased to be an article of trade like other articles coming on the market, when even the poorer classes could not exist without it—the laws of debt prevailing in

Today the custom has become so venerable, that it is accepted by the world as a thing of justice and right. Philosophers in political economy look upon the custom as founded in sound principle, and seem to recognize it as an essential factor in the civilized world. They attempt to analyze the cause and effect of high and low interest, but never seem able to detect the falseness of the foundation upon which the institution is builded.

It was probably a manifestation of like shortcomings which animated Thomas De Quincey to publish his somewhat uncomplimentary opinion of this class of scientists and their works: "I saw that these were generally the very dregs and rinsings of the human intellect; and that any man of sound head and practiced in wielding logic with scholastic adroitness might take up the whole academy of modern economists and throttle them between heaven and earth with his finger and thumb, or bray their fungus heads to powder with a lady's fan." As we have seen, the prime cause assigned for the necessity and justice of loaning money and collecting interest thereon is, that the

the interest of the proprietors,—money, like a poisonous plant, absorbed and consumed the strength of the land."—Curtius's History of Greece.

"Although the monarchy had been abolished, the people of Rome by no means enjoyed the blessings of a free government. All political power was in the hands of the patricians, and plebeians were kept in a condition of great social degradation. Obliged to borrow money of their rich neighbors, they were charged enormous rates of interest, and when unable to pay were delivered by the cruel laws to the mercy of their creditors, who deprived them of their lands, and reduced them to the condition of serfs or slaves."—Anderson's New General History.

money lender is foregoing the use of the money for the time specified in the loan, and hence should be recompensed therefor. This idea that the money-lender is foregoing the use of the money is a fallacy, failure in the perception of which has permitted and still permits this gigantic trick to be played upon honest industry.

Let us take the man who has acquired such sufficiency of money that he resolves to cease business strife and spend his remaining days in ease and recreation. His money is in a safe-deposit box and he is at home, with the full determination that he will never again use a dollar of it in any enterprise. His expectancy of life is, say, twenty years. If he loans his neighbor one-fourth of his money for a period of three years, and at the end of that time the money is returned, then can it be said that the money-lender has foregone any *use* of the money? Or, suppose he has his money deposited in a checking account at a bank. As far as he is concerned, he has foregone the use of the money to the bank, for which he receives nothing. The banker does not forego the use of the money, for it is not his to use, in the first place; and, secondly, the only privilege granted him by the owner is to loan it. That brings us to the central thought. The only *use* a money-lender has for money is to hoard and loan it, and the only foregoing he suffers is, that if he loans it to one he must forego loaning it to another. If he accepts one as his slave, he must forego the pleasure of having the other garnering his cotton. The money-lender never intends to invest one dollar in legitimate enterprises; he never

foregoes the *use* of money in that way. Wall Street money,—and by that I mean what is known as bank money,—is held sacredly for the one purpose of drawing interest unto itself. A banker found investing any of this sacred hoard in a legitimate enterprise, i. e., any enterprise where the money must stand its just share of the loss, if such there be, will be shunned by his brethren in the fraternity, as a thing unclean. He will to them be a heretic and a traitorous backslider, for has he not violated all the sacred canons of the interest-gathering creed? This cardinal precept, of never investing hoarded money in any legitimate enterprise, is more jealously guarded than any maxim or tenet of the most dogmatic of faiths.

Is it not true that, should these non-conformists become too plentiful, the whole structure would crumble and fall? If too much of this hoarded money should get into the channels of trade in its proper, just, and fair way, i. e., with the full and honest assumption of its share of the losses, when losses are in order, the time would soon arrive when no one would need to borrow from the banker, as the cause thereof, to-wit, the scarcity of money, caused by hoarding, would be a thing of the past. The world would be immeasurably benefited if the whole industry of foregoing were uprooted. To accomplish this, it will be necessary only to render the enterprise unprofitable. By removing the incentive in private individuals to hoard (interest) and by refusing to money safe-conduct against loss, it will be returned to the

of legitimate trade, and the golden calf will become a multitude of fatted calves.

No nation ever felt the need of buying bullion and coining money to the end that some of its citizens might hoard the same to their own use, as an instrument to exact tribute from the great mass of the people. No nation ever foresaw the necessity of those people having to pay tribute to an aggregation of private citizens for the use of that article which the government intended should flow freely as the medium of exchanging commodities. What could be a more distressing phenomenon than that of an article, bought by the government and distributed to the people, for a specific purpose and for the good of all, being hoarded by the money-lenders and converted into a profit-producing commodity? This strange accomplishment is made possible by the fact that this metamorphosed "commodity" still retains the function of a legal tender. This is bound to produce a demand or market. This demand grows keener and keener,—finally distressing. Business cannot be carried on without this medium. The result is, the gross injustice of the honest toiler being compelled to sacrifice the fruits of his labor to the money-lenders for the use of that article which the government intended should be the prize of conquest.

That it is wrong to pervert money from its original and only use to that of a profit-producing commodity will be more readily understood by a simple illustration involving the same principle.

Let us assume that the government has an army

stationed at St. Louis, Mo. This army constitutes, for our purpose, the people of the United States, and the officers thereof the money-lending contingency. The Indians of Western Montana declare war, and it becomes necessary to mobilize this army in order to quell the revolt. The supplies for the army must be transported. The moving of these supplies is tantamount to the moving of commodities in commerce. In order that these supplies may be economically moved, the government buys one thousand mules and delivers them to the army for that specific purpose. That these mules may be identified as government mules, and to provide against counterfeiting, they are branded upon one side *"E pluribus unum,"* and upon the other "In God we trust." To make this transaction complete, the government will by law proclaim that these mules, and these mules only, shall perform that function:—making them a sort of a medium of exchange and legal tender as it were. The officers of the army, by virtue of their position like unto the money-lenders by virtue of their *acquired* position, have charge of the mules,—are the masters of the herd (hoard). By an absurd custom, the origin of which seems veiled in mystery, it is permissible, yes, sanctioned by solemn law, for these officers to turn the mules into a profit-producing commodity for their own private gain. They see no necessity for using the mules freely for the moving of supplies unless they have their interest protected.

Some Captain of Industry is building a railroad out West, and sees his way clear to borrow the mules

and pay for their use, as he knows that he can pass the burden along to his patrons in due time. The officers of the army perceive the beauty of this arrangement, and they promptly proceed to loan the mules to the said Captain at an agreed percentage. Thus far this plan has been productive of exceeding pleasure. The Westerners will get their railroad, the Captain of Industry will be in a position to make them "pay the freight," the officers will get their principal and interest, and will be correspondingly rejoiced. The government stands by with benign approval, ready itself at any and all times to borrow these same mules. The people, the army, are supposed to look on, mystified by these masterful transactions in high finance, and give thanks to these gentry, the officers, the moneylenders, for their gracious condescension in permitting these manifold blessings to fall alike upon the just and the unjust. The whole transaction is to them "as deep and dark as can be woven of the warp and woof of mystery and death." The only tangible fact which the people as a whole can grasp is, that they are still confronted with the task of moving those supplies, and that they have no mules to do it with. There is no alternative. If they should elect to transport the supplies on their backs and toil along the hot and dusty roads till they reached their goal, i. e., carry on commerce in the primitive way, they are met by the fiat of the law, which asseverates that these mules, and these mules only, are the medium of exchange. They are, therefore, compelled to apply to the officers for assistance in the matter. This assis-

tance, if granted at all, is upon the officers' own terms, and as long as selfishness and avarice dominate the business world, those terms will be the limit of what the traffic will bear.

That the commerce of civilized life must be carried forward, just as the supplies of the army, is patent. To be carried forward in a primitive way is impossible in each instance. Means of economically accomplishing these ends must be devised. This has been done, in one instance by mules, and in the other by money. That these mediums are to be used freely for the purposes for which they were created seems beyond doubt. Yet what a difference results! If the officers of the army were to appropriate the mules to their own use, an investigation would be next in order. Upon conviction, dismissal from the service as being unfit to wear the uniform, with disgrace and imprisonment, would rapidly follow. Should money-hoarders appropriate the money to their own use, congratulations are in order; and when one has hoarded enough so that he may be classed as one of our great financiers, we advance him in the service as one worthy of our confidence and esteem.

Money, shorn of its halo, and left to bear its own just losses, would soon be removed as a disturbing element in the affairs of men, and commodities would adjust themselves, with a fair profit to all. Men do not enjoy equal ability nor opportunity to acquire profits in the commercial world. Each, however, is entitled to the full benefit of his talents and opportunities. The fruits of his industry are his, to enjoy in

any manner he sees fit. It is the knowledge that individual effort will be rewarded that animates industry. Each individual must assume responsibility for his own welfare. He cannot depend upon others. In the conduct of our affairs, in the present day, these truths are ostensibly recognized, and are theoretically permitted to govern; but, when submitted to a practical demonstration, they are ignored.

If human activities were confined to a contest between man and man, each would enjoy all he could produce; but under the present system the stronger sends his money forth to renew the struggle with the weaker, and thus succeeds in taking away "that which he hath."

CHAPTER VII

CONDITION OF LABOR

ALL tangible commodities which the subject to exchange in commerce are created by the application of labor to the land and its products. Money does not and cannot labor. We are told that labor-saving machinery assists in production and is entitled to its share of the profits. This is undoubtedly true. We are further told that inasmuch as labor-saving machinery is capital and can be exchanged for money, then money is capital; and as, in this view, they both are capital, then money must be labor-saving machinery and entitled to share in the profits. I advise anyone who believes this to take a bag of money and with it plow his field, cut his wheat, or weave a bolt of cloth. His mind will become disabused. Therefore, no man can become entitled to the profits of labor-saving machinery till he has fully and completely severed his connection with his money and accepted the labor-saving machinery in return. By so doing he will be honestly entitled to the profits and honestly subjected to the losses. It is begging the question to say that he can loan money to another for the purpose of purchasing labor-saving machinery, and by so doing become entitled to profit, unless he is bound to share in the losses to a corresponding degree. As long as the machinery is operating at a profit, loaned

dollars assume the characteristics of legitimately invested dollars; that is, dollars which have been exchanged for the machinery; but as soon as loss appears they suddenly lose this character and become just plain dollars; and yet, as such, they keep right on earning profit. This is a thing which, as we have just seen, does not lie within their power.

Labor is industriously hoeing and weaving and sending the product to fill the coffers of this system, and wondering what is becoming of it. Ignorant of this, it blames its employers and fails to recognize that the employers are standing in the same position.

It is reasoned that when a laborer receives his pay on Saturday night, the contents of the envelope are his to do with as he wishes. We will assume that his employer borrowed this identical money. If borrowed at eight *per cent per annum,* it must, if the interest is payable yearly, be returned, in twelve and one-half years, twofold. The employer cannot do this unless he can make sufficient profit from the products of labor. It is plain that the burden of meeting this demand is passed along, to be borne by the consumer. The money in the pay envelope is *not* the property of the laborer. It was only *borrowed* from the bank, and hence still belongs to the bank. It cannot, in the very nature of things, belong to two individuals at one and the same time. It came to the laborer impressed with the same demands that it had while in the hands of the employer; that is, that this same money, or an equal amount, *plus* as much again, must be furnished by labor in the above period to meet this demand. This is effected in the most plaus-

ible manner. The laborers of the world comprise the great majority of the ultimate consumers. As an ultimate consumer, a laborer must give back the principal borrowed by his employer, *plus the interest demanded,* for the articles which he himself has produced. His employer acts for him as a borrowing agent only. The interest on bonds and on all borrowed money whatsoever is not paid by the borrowers. If the borrowers did not know that this burden would be shifted to the people, they would not be borrowers. They know that they can use the product of labor to compel labor to pay all demands.

Some political economists describe money as stored labor. Probably petrified labor would be about as lucid. They then reason themselves into the idea that this stored article is brought forward and exchanged for the fresh supply of today. One hundred years ago a man produced and marketed one bushel of wheat for one dollar. The consumer paid the dollar, accepted and consumed the wheat. This is a simple and natural transaction. The producer has been paid in full and has the dollar, and the consumer has the wheat. This transaction, as far as the world is, or should be, concerned, is closed. Many years since, the producer and the consumer have been gathered to their fathers. The wheat *non est.* What possible connection could this simple transaction have with the world of today? In those days, as now, the system made it essential to do business with hired money. Thus it became necessary to contribute a tithe of that dollar to the gentleman who financed the transaction. This tithe, of course, fell upon the ulti-

mate consumer, and was absorbed by the money-lender and carefully stored away in his vault; verily, ten cents worth of labor preserved, or, commercially speaking, canned. This process has been repeated upon an ascending scale, till this money-lender, or his progeny, now have a warehouse full of canned goods. The system still makes it necessary to do business with hired money. Before labor of today can be expended, it is essential to call upon this store of petrified labor. This ossified article will not permit fresh labor to exist without exacting the lion's share of the profits of the fresh labor's production. This profit is, in turn, hoarded as canned labor, to be used in ages to come for the same purpose. Labor, in all honesty, which was performed ages ago cannot be crystallized and brought forward in the shape of a silver dollar and made to labor again. The labor that produced that sack of wheat was paid in full and has gone forever. How absurd to conclude that any part of it could be brought forward to the present day and again demand pay! Stating the proposition is its own refutation. Verily, fresh labor, once expended, is gone forever; the canned article is indestructible. Fresh labor is perishable and must be marketed each day; the canned goods keep. The perishable article is in the hands of the laborer; the preserved article is in the hands of the money-lenders. The fresh article can be bought and paid for; the canned specimen can be paid for, *but never bought*

The erroneous idea of the function of money is what leads to all the illogical reasoning about its rights. The unjust acts which money commits are

directly traceable to the fact that it has been kept out of its true sphere. Take it out of the position of being a profit-producing commodity and permit it to be itself —a law, a function—and it will never again "perform such fantastic tricks before high Heaven as make the angels weep." The present perverted use of money leads to but one result—the increasing wealth of the few, and the deplorable poverty of the many. We are prone to conclude that this system of loaning money for profit is one which does not concern us, unless, perchance, we are one of the actual borrowers. We feel that by being saving and frugal, and living strictly within our means, we may escape the necessity of becoming actual borrowers. We thus imagine that we are fortuntae, and that the system, be it ever so iniquitous, is visited upon others; and although they have our sympathy, we can do nothing for them, as it is an affair peculiarly their own. This conclusion is the result of a superficial understanding of the question. Every dollar borrowed in this world is a debt passed along to the ultimate consumer, and you are one. Although you may refuse to borrow money directly, you have many others borrowing for you, and you will pay the debt and all the interest as long as you are a consumer. To escape it, you must refuse to consume—starve, go naked, use no convenience of life whatsoever; and you do not yet escape it. Your governments, national, state, county, and city, are industriously borrowing for you and pledging your labor in payment. You must leave your native land and seek a desert isle. You must renounce the civilized world and all its ways before you can have

any hope of escaping these burdens laid upon you by others.

The question of the unemployed is becoming serious. In the last few years it has been growing more and more clamorous for attention. As our present privately-owned banking system becomes more perfectly organized, and its power centers in fewer hands, the predicament of the unemployed becomes more acute. The two are closely connected,—evidently a cause and an effect. Civilization, among other things, consists of a ready and easy method of exchanging credits. This is accomplished by the use of money, a medium of exchange. No money, no exchange; no exchange, no business; no business, no employment; no employment,—and we have the problem of the unemployed. No one knows better than the bankers that the banking system is in complete command of the industrial world. Without thought or investigation, people concede this tremendous power as a matter of right. There are some, however, who realize that the assumed right to this all-controlling power is unfounded. Like the hitherto accepted doctrine of the divine right of kings, when sifted to the bottom it is found to rest upon sand.

The idea that money is a commodity that can be owned and manipulated, as such, by private individuals, brings the control thereof into the hands of the privately-managed banking system. The banks are thus using a public function as private property, and, at will, harassing and destroying industry and unexpectedly throwing people out of employment

by periodically contracting the volume of money in circulation. Unemployment in an individual is unnatural, and when general is abnormal. In the very nature of things, there can be no *periods* of unemployment. Our daily demands are the same one day with another. We eat, wear and use as much one day as another. It requires an even flow of production to supply this even flow of consumption. Were things left to take their natural course, production and consumption would maintain a uniform ratio and periods of business depression would be unknown.

CHAPTER VIII

CONDITION OF CAPITAL

MONEY is an essential factor in the economical consummation of a complex exchange. It is the medium by which the items which constitute the world's wealth and credit are economically exchanged, one for the other. It has no other legitimate use. To fulfill this function, an exchange contemplates full and complete mutual surrender of the title in both the money and the commodity. Any exchange wherein the title to the commodity is surrendered, and that of the money is not, is abortive. It is the first link in that chain of unfair advantage which money enjoys. One who borrows money for profit is one who hopes to share in this unfair advantage. He is alike culpable with him from whom he borrows. The borrower exchanges dollars to which he has no title for commodities, and thereby acquires title to the commodities. The one with whom he exchanges is deceived in the belief that he is acquiring title to the money. He is not. He is only borrowing it and must return the principal, every dollar, and further, as a consumer, pay his share of the interest thereon. The principal must be returned,—the very same dollars which were borrowed. (Any argument that they are not the identical dollars is futile; it is only begging the question.) The interest is to be paid

from the products of labor, which products must first be exchanged for cash. As all the cash, the principal of this debt, must be returned in order to pay the debt, it becomes necessary to exchange the products for more borrowed money in order to meet the interest on borrowed money. There is no end to it.

I assert, without fear of successful contradiction, that it is a physical impossibility to pay interest on money according to the terms of the agreement. Any borrower who thinks this can be done is deceiving himself. His only possible avenue of escape is to borrow money to pay interest, and that from the same party from whom he borrowed the principal. This proposition will be astounding to the uninitiated. When anyone makes a loan, the borrower agrees to return the same amount of money which he borrowed, together with interest, which is also to be paid *in money*. It is evident that the borrower must get back, through the channels of trade, the exact amount of money which he had distributed. In addition thereto, he must acquire sufficient money to pay the interest. Assuming that all the money in the world amounted to one million dollars and was equally distributed among the inhabitants thereof, and that a coterie of gentlemen had embraced the advantages of the loaning system and had persisted, as they have to the present day, until the system had become a perfected machine and in control of all this money—we will then observe the following: The bankers and money-lenders will make a loan of one million dollars, payable in one year

with interest. This identical million dollars must at that time be returned. Where can the borrower get the interest? He cannot produce money, as that is a function of the government. His only recourse is to apply to the ones from whom he originally borrowed for another loan with which to pay the interest. There is no escaping the conclusion; the only way to pay interest on money is to borrow more money for that purpose, and that from the same persons to whom the principal is owing. This in turn increases the people's debts to the billions of today, and upon which they are compelled to re-borrow the same money, over and over again, with which to pay the interest thereon.

This interest system is an endless chain of disaster with which the people are afflicted, and no ray of hope will ever cheer them until sufficient of the thoughtful and fearless ones have led the world into the light of understanding its true nature. Under the present system it is not a question of ability or willingness to produce that circumscribes our temporal needs. All endeavor along these lines is nullified by the fact that producers of necessary commodities of life are unable to exchange their products. This is the result of the lack of that essential medium—money.

We now clearly perceive that the control of money is the control of production, that the control of production is the control of business, and that the control of business by a handful of money-lenders and bankers is disaster. The producing and commercial world of today is an exact replica of a

steam plant, such a one as now furnishes power to carry on the various industries of the world. Let us select a great ocean steamer as she launches forth upon the sea (of commerce) to perform her functions in the world's activities. The safe transport of ship and cargo from port to port, from producer to consumer, is the task to be performed. Her engine is the capital, and the steam in the boilers is the labor with which this is to be accomplished. These forces, standing separately, are powerless. In order to get results, there must be devised a medium of exchange, a method by which these two forces may be economically united. This link is easy of discernment and simple in construction. A comparatively small pipe known as the steam line (the medium of exchange) connects the boilers with the engine; and the passage of the steam through this line is controlled by a valve therein called a throttle (the banks). Thus the enormous energy in the boilers and the immense capabilities of the engine will become efficient, both as to time and quantity, at the will of the engineer (the banker). The engineer can, with the slightest effort, permit that vessel to be propelled by thousands of horse-power, or with very few, or shut off the power entirely. This he can do by virtue of the fact that he has control of the medium of exchange. During these various changes the volume of energy in the boilers has not diminished; in fact, it increases to a point of danger, averted only by a safety-valve; the capabilities of the engine remain intact, but their efficient co-operation has been rendered impossible

by the closing of the steam line. In the meantime, the vessel thus rendered helpless drifts relentlessly toward the tumultous seas of the shoals of bankruptcy. The captain and the owners of the vessel are horror-stricken. The impending disaster to their enterprise has unnerved them. They apply to the engineer for relief. He tells them that the cause of the condition of affairs is that he has become timid, as the boat had been running along too smoothly. He could also ascribe the difficulty to the fact that someone had been "meddling with his business," or "tinkering with the tariff."

Their supplications are in vain. The engineer remains obdurate. One by one they are devoured by that tempestuous sea of bankruptcy, and no one remains but the engineer and his minions, who have played the heroic part of the boy who "stood on the burning deck". Yet, unlike the boy, they knew that they were masters of the situation at all times. They are now owners of the entire enterprise. The time to act has arrived. The engineer, by a slight turn of the wrist, opens the throttle, thus permitting the medium of exchange to perform its function; labor and capital again unite; the great vessel steers for the open sea and comes proudly into port, bedecked from topmost peak to waterline with flags fashioned from the front pages of the daily press, each bearing a legend proclaiming the return of prosperity, We, the people, go home, bolt our simple dinners, and hasten down to the opera house to hear our congressman tell us about what he did to bring

these glorious events to pass, and how fortunate we are to have in our midst an engineer of such sterling and transcendent qualities. This picture is too beautiful to mar. Let us not sully our memory by any reference to the host of black and bloated remains that are, at this instant, being ruthlessly tossed about out there on those boisterous shoals of bankruptcy, the innocent victims of the engineer's groundless timidity or lack of confidence. Let us draw the veil. Until sufficient of the thinking people of the world see and understand the incontrovertible analogy which exists between the open sea of the foregoing illustration and the sea of commerce; the vessel sailing the open sea and a business enterprise; the boiler and engine of the vessel and labor and capital; the steam line and money; the throttle and bank, and the engineer and banker—we will continue to take our text from the daily press, our modern gospel, and listen to the sermons of our congressmen, our modern preachers; and, being thus at peace with ourselves and our modern god (of Mammon), we will promptly proceed to outfit another vessel and send her forth in high glee, and the best of cheer, with the same old engineer in command of the same old throttle; and, although we cannot bring ourselves to believe it, we may well expect to have the same old results.

As a natural law the amount of consumption sets the speed-limit for production; but under our present system this condition does not obtain. There is no fixed and definite limit. Business can only

guess at the proper speed for today by consulting that of yesterday. The control of this matter is in the hands of the bankers, who arbitrarily set the pace for the day—and that very late in the afternoon. One fine day the business world starts on its daily round. Everybody is in high glee and their cars go humming along. They have consulted the speed laws of yesterday and hope they will remain the same today. They are doomed to disappointment. The bankers, observing that it will be to their interest to lower the speed limit, see, or at least pretend to see, imminent danger to all the good people out there traveling at that breakneck speed of the yesterdays, and they solemnly and prayerfully lower the speed-limit almost to the vanishing point (call in all outstanding loans and refuse to make any more). The business men are in trouble. Not knowing what the speed-limit was to be, they had exceeded it and thus broken the law. They are placed under arrest, their cars are confiscated, and they are miles from home and broke,—a sorry plight. The question of the unemployed is now present. As the business men near home they find the bankers ready to welcome them. These oracles of economics dilate on the unfortunate circumstance, blame the reckless disregard of the law, and assure the man of business that the awful bogey of over-production, or something just as hideous, is to blame for it all. An august committee is appointed and those bogeys are due for another investigation. The notion that money is capital is false; and the notion that it is an

especially favored type of capital which knows no law of loss is unfounded in the law of nature.

The phenomena of the rich growing richer, and the poor growing poorer, and of panics, industrial depression, enforced idleness and hard times, we have thus approached from the side of cause and traced to effect, and have then retraced our steps from effect back to cause. The way is cleared of all obstruction. The chain of evidence is complete. The cause of the bubonic plague of industry is as minute and unsuspected as was that innocent-appearing flea on that equally as innocent-appearing rat, and yet what potential engines of destruction they are! The error of conceding money to be a commodity subject to private ownership and control, and granting to it all the rights and emoluments of capital, is the bubonic flea of industry and commerce. Capital is existing in an atmosphere of continual apprehension and fear. It has no way of warding off disaster, as the cause thereof is at the will and caprice of those who control its ability to function—those who control the money.

CHAPTER IX

WEALTH AND CAPITAL

THE GREAT and as yet unsolved problem of the world is, what is the cause of the wealth of the few and the poverty of the many? Why does this phenomenon become more and more manifest as communities and nations advance and wealth and population increase? The older and more wealthy any community becomes, the sharper the line is drawn, till, in the centers of wealth and population, we find the few wealthy beyond dreams and the many existing in abject poverty. Everywhere one goes he sees this condition in a greater or lesser degree, being less manifest in sparsely-settled communities, and increasing in rigor as wealth is produced and population increases. We have here a very evident effect, and hence there must be a cause. To discover this and remove it is the duty which self-preservation imposes upon mankind, for it is an effect which unless prevented will engulf the world sooner or later. Where the wealth-producing power is the greatest there also will be found the greatest poverty of the masses, and the all-pervading cry of hard times is heard in the most despairing wail. Some scientists are content to ascribe this condition to over-production. The fallacy of this is evident. Were it true, this very over-production would refute the plea of hard times, for who could complain if

they had more than they could use? A great many other reasons are proffered which are on a par with the over-production theory. That labor and industry are not getting their share of wealth is evident; that all the surplus above a bare existence is being absorbed in other quarters there is no doubt, for we have daily manifestations of this same surplus, and this not by the laboring classes.

This legerdemain, this acquiring of the surplus of wealth produced by labor, has mystified the scientists, has led them along vastly different lines of investigation, and caused them to arrive at a multitude of different conclusions. To find the underlying cause of poverty, we need not look to the producers of wealth. We have seen that producers, apart by themselves, will apply their labor to the soil and the products thereof, and all live in peace and plenty. It is not till their intercourse becomes *complex* that the few begin to mount, and the many begin to descend the ladder of want. At this juncture, then, we are to find the mysterious force which causes this phenonenon. Here we are to find a new element injected into commercial transactions. As the wealth increases, and the complexities of commerce become greater, we shall see that this element is more and more in profusion, spreading its virus and opening the breach, till we reach the centers of commercial complexity, where the phenomenon has produced its greatest demonstration; and we find, as a result, enormous wealth and despairing poverty, one upon the upper and the other upon the lower of those two roads which parted at

the first point of a complex exchange of commodities. As the only new element injected at the point of complex exchange is money, this in some way must be connected with the force which works such disaster to the producer of wealth.

Yet, we have seen that money is an essential factor in the economical consummation of a complex exchange. Hence it cannot be that the harm lies in the use of money in that capacity; it must be in the use of money in some other capacity, amounting to an abuse, which causes this wide-spread distress so evident. Taking the cue that this distress springs from an *abuse* of money, we must, in order to discover this abuse, ascertain and define the boundaries of the legitimate sphere wherein money can act. It is only by this knowledge that we can apprehend its perverted use. For a correct understanding of the true province of money, it will be necessary for us to understand the meaning of the terms "wealth", and "capital". I will not enter upon an extended discussion of the definitions of these terms, as this is not necessary, but will be content with the accepted principles as laid down by the masters:

"The real wealth, the annual produce of the land and labor of the society." Wealth of Nations, Vol. I, p. 4; by Adam Smith.

"Wealth consists of objects of value only." Science of Wealth, book I, p. 8; by Professor Amasa Walker.

"Wealth might therefore be defined as composed of things that possess value." Principles of Economics, chapter I, sec. 4; by Seligman.

"Wealth, as alone the term can be used in political economy, consists of natural products that have been secured, moved, combined, separated, or in other ways modified by human exertion, so as to fit them for the gratification of human desires." Progress and Poverty, book I, p. 40; by Henry George.

These definitions clearly convey the idea that any item defined as a factor of wealth is so included because of the value created therein by virtue of labor expended thereon, and, further, that said item when thus prepared must contain the capabilities of gratifying human desires. Money can in no way conform to these requirements.

The various definitions of capital are as follows:

"That part of (a man's stock) which, he expects, is to afford him this revenue, is called his capital." Wealth of Nations, book II, chapter I; by Adam Smith.

"Capital is that part of the wealth of a country which is employed in production, and consists of food, clothing, tools, raw materials, machinery, etc., necessary to give effect to labor." Principles of Political Economy, chapter V; by Ricardo.

"The capital of a nation really comprises all those portions of the produce of industry existing in it that may be directly employed either to support human existence or to facilitate production." Notes on Wealth of Nations, book II, chapter I; by McCullough.

"Whatever things are destined to supply productive labor with the shelter, protection, tools and materials which the work requires, and to feed

and otherwise maintain the labor during the process, are capital." Principles of Political Economy, book I, chapter IV; by John Stuart Mill.

"The word capital is used in two senses. In relation to product, it means any substance on which industry is to be exerted. In relation to industry, the material on which industry is about to confer value, that on which it has conferred value; the instruments which are used for the conferring of value, as well as the means of sustenance by which the being is supported while he is engaged in performing the operation." Elements of Political Economy, book I, chap. I; by Professor Wayland.

"The common sense of the term is that of wealth devoted to procuring more wealth." Progress and Poverty, book I, chapter II; by Henry George.

It appears from these definitions that capital must, as an essential fact, be a part of wealth. As Henry George, in his Progress and Poverty (book I, chapter II) so aptly expresses it: "Now, as capital is wealth devoted to a certain purpose, nothing can be capital which does not fall within this definition of wealth", and further, on the same page, "But though all capital is wealth, all wealth is not capital. Capital is only a part of wealth—that part, namely, which is devoted to the aid of production."

It is evident that money, to be capital, must also be wealth. That it is neither, we have but to consult the following authorities:

"Money is no more synonomous with capital than it is with wealth. Money cannot *in itself* perform any part of the office of capital, since it can

afford no assistance to production." Principles of Political Economy, book I, chapter IV, section I; by John Stuart Mill.

"Wealth is not money. Wealth is money's worth, but wealth and money are by no means identical." Principles of Economics, chapter I, section 7; by Seligman.

"That this universal truth is so often obscured, is largely due to that fruitful source of economic obscurities, the confounding of wealth with money." Progress and poverty, chapter III, page 60; by Henry George.

"Capital must not be identified with money, although it is expressed in terms of money." Principles of Economics, page 115; by Fetter.

"First of all, we must not make the mistake of confusing money with wealth. We have seen that wealth is different from and bigger than money. Yet it is astonishing how easy it is to forget this simple fact." Why the Dollar is Shrinking, chapter II, page 15; by Irving Fisher.

The statements of the distinguished authorities just cited are clear and concise. There can be no misunderstanding of their words, nor doubt as to the meaning they convey. Other authorities could be cited to the same point. You will hardly believe me when I tell you that, notwithstanding the great fact thus so clearly enunciated, all the above authors in their learned works on this interesting subject invariably treat of money as being included in *both* wealth and capital. I cannot account for this except upon the hypothesis, that, the true function of

money having escaped them and not knowing its correct status, they had no alternative. Had they realized that that entity known as *money* was a creature of law, and that the free and untrammeled circulation of that entity was the proper functioning of that law, they would not have permitted themselves to be so inconsistent. They would have then understood the *reason* why money can never be either wealth or capital. The great truth that money is not capital is rapidly gaining ground, and it will impress itself more and more as the world recognizes the colossal wrongs which money has committed, and still commits, in the name of capital.

"Increase in the amount of bonds, mortgages, notes, or bank bills cannot increase the wealth of the community that includes as well those who promise to pay as those who are entitled to receive. The enslavement of a part of their number would not increase the wealth of a people, for what the enslavers gain the enslaved would lose. Increase in land values does not represent increase in the common wealth, for what land owners gain by higher prices, the tenants or purchasers, who must pay them, will lose. And all this relative wealth, which, in common thought and speech, in legislation and law, is undistinguished from actual wealth, could, without the destruction or consumption of anything more than a few drops of ink and a piece of paper, be utterly annihilated. By enactment of the sovereign political power, debts might be cancelled, slaves emancipated, and land resumed as the common property of the whole people, without the

aggregate wealth being diminished by the value of a pinch of snuff; for what some would lose others would gain. There would be no more destruction of wealth than there was creation of wealth when Elizabeth Tudor enriched her favorite courtiers by the grant of monopolies, or when Boris Godoonof made Russian peasants merchantable property." Progress and Poverty, book I, chapter II; by Henry George.

Mr. George here expounds a great principle. Every word of the foregoing reasoning is true. The only criticism which can be offered is that he failed to apply this great principal to *money*. He specifically excepts bonds, mortgages, notes, and bank bills from the category of wealth, on the ground that they "include as well those who promise to pay as those who are entitled to receive." The wealth of the world would not increase, "for what some would lose others would gain."

For the purpose of drawing a comparison let us select notes from the list of items excepted from wealth by Mr. George. The reason why notes are excepted is clearly that they are but evidence of the fact that the holder thereof has parted with the amount of money stipulated in the note. For the purpose of this comparison we will assume that the money is wealth. Now, so much wealth has changed hands; the lender has parted with it temporarily, while the borrower has acquired it in the same way. The note given is mere evidence of the transaction; it is not wealth itself, but can be exchanged for wealth. The holder of the note can negotiate the

same for its face value, and by so doing be in the same position that he was when he started. In this particular case, then, the note has performed all the functions of a medium of exchange. All that the note would need is a legal enactment making it a medium of exchange and legal tender, upon which it would have all the qualifications of money. A law like this would add no wealth to the present stock. *There has been no labor performed on the note with the view of gratifying a human desire.* Even in these circumstances, i. e., being a medium of exchange and legal tender, the note would not be wealth, and, consequently, could never be capital. Money, our present medium of exchanges and legal tender, is no more and no less than a note—mere evidence of the fact that the owner thereof has a credit in the stock of the world's wealth which he may withdraw at any time upon surrendering his credit-slip, his money. Should he do this, there has been no more wealth created than when the note was given. The real wealth, food and clothing for instance, has but changed hands. The seller has the money—the note—and in order to be placed in the same position that he was on the start, he must negotiate the money—buy other food and clothing.

In short, money is not wealth. It is mere evidence of credit in the world's stock of wealth; and under a sane and honest law this evidence must be fully surrendered before the holder can withdraw his deposit. As money is not wealth, then it can never be capital. Not being capital, it is an usurper in the field of profit-producing.

If we could imagine the real wealth of the world (a quantity hard to define, but which every one knows to be those things created by labor in order to gratify human desires) piled on one side, and the money of the world on the other, we can clearly see that the destruction of all the money would in no way affect the wealth. Pebbles could be made a medium of exchange and legal tender, and the world would be none the loser. We have, then, discovered that abuse of money which first becomes manifest when money is called into use as an essential factor in the economical consummation of a complex exchange, to-wit: it is allowed to simulate capital and thereby earn profit under the name of interest, when in truth and in fact it is not capital, for it specifically provides that it will bear no loss occasioned in any venture. As the exchange of commodities becomes wider and more complex, the greater is the abuse of money; the results of this abuse become more and more manifest, till the centers of population and the complexities in exchange are reached. Here we are confronted with conditions which have perplexed philosophers from time immemorial—the great wealth of the few and extreme poverty of the many; and this in our own time in the midst of plenty, and when the powers of production were never greater.

A great many theories as to the cause of this condition have been advanced; but I am constrained to believe that the abuse of money, by thus permitting it to usurp the function of capital, is the most virulent and active poison, and is by far the greatest cause

of the diseased condition of the industrial world. It is the money-lenders—those fortified against loss and assured of gain—who take the upper road; and the laborers—those fortified against profit and assured of loss—who take the lower road. There can be no doubt about this, for at the ends of the two roads will be found these two classes—the banker in his palace and the laborer in his hovel.

We have seen that wealth is composed of articles created by labor to satisfy the desires of humanity. Labor expended upon an article which does not do this is labor lost, and that article is no part of wealth. Thus labor may be expended in carrying a load of rocks from one city to another and back again; this process adds nothing to the world's wealth; although the labor has been expended, it is useless, and the product thereof cannot become wealth, and hence can never be capital. Yet, by an enactment of the sovereign power, these rocks may be declared the medium of exchange and legal tender, and thus convert this useless labor into a means whereby the honest producers of wealth must share the products of their labor, and receive nothing in return. The production of gold and silver is one of those useless occupations which do not create wealth. It is not performed by the miner with a view of adding to the world's wealth. If his commodities were to be left to the standard of all other commodities and be subservient to a market commensurate with a demand therefor in the trades and arts, he would be a producer of wealth; but he does not do this; the use of his wares in the

trades and arts is infinitesimal when compared with the real object of their production, to-wit: to take them to the mint and have them coined, not into wealth, but into tokens of wealth—credit-slips—which he can take to the nearest store and there exchange this assumed credit for true wealth.

With the exception of the money-lending industry, there is probably none other so useless as that of mining for gold and silver,—that is, for any purpose other than as commodities. To illustrate the uselessness of gold and silver mining to the world at large, let us apply the principles in a simpler form: I am a miner and I have a secret cave which contains a certain kind of pebble. I take a number of these pebbles and have them declared the medium of exchange and legal tender by law. There are a thousand men busily engaged in hoeing and weaving, and all other industries which produce wealth. In exchanging their commodities, their transactions become complex, and in order economically to consummate them, they must have some of my pebbles. To get them, were they used in their legitimate capacity, they must exchange with me and give me some of their wealth, for that essential factor in my hands. If they part with some of their wealth and I get it, then it must be that they have less wealth and I have more. I had no wealth. I would have nothing to eat nor wear if it were not that the law compels my fellow-men to get my pebbles and share their wealth with me. My pebbles are useless to them, except as credit-tokens; my pebbles do not add to the wealth in their hands; but, in

order economically to exchange the wealth they have produced, the law demands this course. When I have exchanged all my first instalment of pebbles for wealth and have consumed the same, I, being a non-producer of wealth, find myself in the same position I was in at the start—nothing to eat and nothing to wear. The pebbles, however, are in the channels of trade performing their true function. A parity exists between the amount of pebbles in circulation and the commodities in exchange; that is to say, one pebble has been accepted as the token of so much of any given commodity, and it is well understood how many pebbles must be added to any certain transaction in order to maintain a balance. The producers require no more pebbles in their business. Left to their own inclinations, they would not give any more of their wealth for pebbles. Having enough, they desire no more.

But how about me? I am a non-producer of wealth, and still have nothing to eat and nothing to wear, My avenue of escape is open. Ignoring the fact that the producers of wealth have no desire for more pebbles, I repair to my secret cave and reappear with a second instalment. Clearly, I have not added to the world's wealth by this act; but, nevertheless, I am again in a position to foist this second instalment of pebbles upon the producers, contrary to their desires; and in so doing oblige them again to share their wealth with me. This process will continue so long as my cave will produce pebbles.

Let us further consider those thousand pro-

ducers hoeing and weaving and contributing to the world's wealth, and me with my first instalment of pebbles,—the medium of exchange and legal tender We now advance to the point where it is necessary for the producers to acquire some of my pebbles, as they must by law take them in exchange for their credits, and must also meet their obligations with legal tender. Falsely conceiving that my pebbles are wealth, and hence can be converted into capital, and *as* capital become entitled to earn profit or interest, I immediately detect the importance of hoarding my capital, so that I will always be in control thereof. I say to the producer, "I do not wish to exchange my *certain* profit-producing capital for your *uncertain* capital. However, if you will pledge your capital that my capital will be returned to me at a fixed time, with the full earnings *as* capital, I will *loan* you the amount you ask."

I can thus participate in the world's wealth and not lose an iota of my capital. This is even better than my former position, for now my capital is not in the slightest danger of being lost or even lessened. On the contrary, it will surely acquire unto itself all the world's wealth; for is not this wealth pledged to the fulfillment of this very end? Formerly, I was haunted with a great unrest lest my cave failed; but now I am free from that care and I see my way clear to shift that unwelcome feeling to the producer. It is this false idea, that you can "eat your cake and keep it too", that leads to such disastrous results as are grinding all hope from the existence of the masses.

CHAPTER X

THE MONEY QUESTION

THE MONEY question has been a theme for political discussion for ages, and is still an unsolved problem. That there is something wrong with our present system of distributing wealth, is evident. The unequal rewards to money on the one hand, and to labor and capital, on the other, are recognized at a glance. It is evident that some refractory malady taints our industrial activities. It breaks out at the most unexpected times and for no apparent reason. The first indication of an attack of the malady is stringency in money, industrial depression, and general confusion. These symptoms, if not checked, rapidly develop into the more alarming forms of panics, enforced idleness, and bankruptcy. This condition soon results in a general debility known as "hard times". The attacks occur with noteworthy regularity. It would seem that they were brought on and controlled by human intelligence. Another noteworthy fact is, that it matters not what may be the stage of the malady, the phenomenon of the rich growing richer and the poor growing poorer is ever active. This is hard to understand. The world is full of plenty, we have abundance of willing workers to garner the same, and we are constantly improving our means of production.

A great many theories as to the cause of this trouble have been advanced; but, so far, none of them have proven substantial. They are but vain gropings in the dark for an outlet. Our present monetary system has been under suspicion; but, *owing to failure in understanding the true function of money,* no very logical conclusion has been evolved. The history of the various steps in the evolution of money does not concern us. All the charges and countercharges, which at times have been bitterly acrimonious, have been fully and ably argued on each side before that great jury, the people, with the resultant verdict that we have now adopted the gold standard and our present banking system.

A fair and candid statement of the result of this verdict is, *that the same malady still exists,* and that its cause is as yet undiscovered by the masses. In the diagnosis of the case the symptoms were misinterpreted; and the remedies applied proved inadequate. We must re-diagnose and discover the cause of failure. The first symptoms of disorder do not in any way indicate a constitutional weakness, but, to the contrary, give unmistakable evidence of local disturbance. Some particular organ becomes deranged, and, if permitted so to continue, will soon spread its poison to other organs, and thus the whole structure become diseased. Further proof that the malady is local in its incipiency lies in the fact that it quickly responds to treatment, no matter at what stage. Under this *treatment* the entire *system* seems to undergo a complete change, and, like magic, becomes what seems to be a sound

and healthy whole. Still, for some mysterious reason, while thus enjoying the best of health, this elusive organ will again become deranged and will continue to spread its poisonous virus with ever-increasing malignancy, until again checked by this treatment (permitting the volume of money in circulation to become normal). The spectacle of the periodic return of this malady, and of its yielding to this mysterious treatment, is familiar to all. It is our duty to discover the cause of this disturbance and to remove it.

Money, as the medium of exchange, will perforce assume a certain ratio to commodities. The unit of money will assume a certain relative position to the unit of any given commodity. Thus, we say a bushel of wheat is worth a dollar. Now, we do not mean that a dollar in money is of the same value as the bushel of wheat; that would be absurd, for we know that a dollar in money is of no value—that is, of no value over and above its bullion value when placed upon the market as a simple commodity and not stimulated by the coinage law. What we do mean is, that a bushel of wheat is worth just the same as any other amount of any other commodity which we say is worth one dollar. Just as we say a certain acticle is one yard long, or that it weighs one pound, we mean that it is as long or weighs as much as any other article of the same length and weight; and the standard units of weights and measures designate to our minds what these conforming weights and measures must be. It would be as logical to say that a yard of silk is worth a yard

measure, or that a pound of diamonds is worth a pound weight. This language would not change the fact that when we say this, we mean that the silk is as long as any other piece of cloth that is one yard in length, and that the diamonds weigh the same as any other commodity which weighs one pound. The standard units of weights and measures are used only as a means of comparing these commodities: a sort of medium of exchange of their comparative units. The true function of dollars, in their particular sphere, is the same as the units of weights and measures, being a fixed standard for purposes of comparison only; and none of them can by any construction ever become the commodities with which they deal.

If the market conditions are such that wheat is rated as worth one dollar per bushel, oats worth one dollar per bushel, and hay worth twenty dollars per ton, it means that one bushel of wheat will make an even exchange for one bushel of oats, and that it will take twenty bushels of either to exchange for a ton of hay. If wheat goes to one and one-half dollars per bushel, it means that it would take one and one-half bushels of oats to make an even exchange for one bushel of wheat. Money figures in all these transactions as an abstruse reckoner of the differing values of commodities. Having no connection with the real values of commodities, it matters not, in the first instance, what the amount of money upon which it is based may be; but this relative status between money and commodities, *when once established,* is of the utmost importance to pre-

serve; and it is equally important, and an indispensable requisite, that the amount of money in circulation be maintained at that point, or as near thereto as possible. Maintaining this fixed and stable amount of money in free circulation is as vital to the business interests as is the normal flow of blood in a living body. If you increase the flow beyond normal, it develops one set of maladies; if you decrease the flow, others appear. The maintaining of this equilibrium is mandatory. The slightest change either way produces like results. Thus, if the ratio of the money units to the units of commodities becomes fixed and settled upon the basis of a certain amount of money in circulation, and that ratio should happen to be, at any given stage of the market, that one bushel of wheat is equal to one dollar, we imperceptibly slip away from the true relation, as will be hereafter explained, and we accept as a fact that the bushel is *worth* one dollar, and, inversely, that the dollar is worth one bushel. This being true, we can readily see how an inflation or a contraction of the money in circulation will affect the matter. If an inflation to twice the amount of money in circulation occurs, it will result in the proportion of one bushel of wheat to two dollars, thereby lessening the purchasing power of the dollars. If the money is contracted to one-half of the former amount, then the ratio will be one bushel of wheat to one-half dollar, thereby increasing the purchasing-power of the dollar. This arbitrarily destroys the stability of the unit of the measure of value, thereby invalidating its usefulness.

I wish my reader to get his mind firmly fixed upon this fact—that is, that the inflation or contraction of the currency in no way affects the *relative status* of commodities. Their *relative* proportions as to quantity and value are always the same, subject to the fluctuations caused by the law of supply and demand. Commodities, *as between themselves*, take no reckoning of the greater or lesser purchasing power of the dollar;—thus, as far as commodities are concerned, if the money is inflated to twice its former value, and the proportion then reads that one bushel of wheat is equal to two dollars, it also means that if oats were formerly worth one dollar, they are now worth two dollars per bushel. As to the wheat and oats, the proportion remains the same —that is, that one bushel of wheat is still worth one bushel of oats. If the currency is contracted to one-half its former volume, and the proportion is that one bushel of wheat equals one-half dollar, this *also* means that one bushel of oats, which was formerly equal to one dollar, is now equal to one-half dollar. We find no change in the proportion of wheat to oats; they still equal each other.

Just as we get to understand that the owners of the commodities of the world are not affected in any way, *in their relative standing to each other,* by a change in the volume of currency, we are confronted with this problem: If I have ten thousand bushels of wheat, which have, by the settled ratio of commodities to money, been ascertained to be one bushel to one dollar, and I sell at that price, I have simply exchanged my wheat for other commodities—

say, oats at one dollar per bushel, for future delivery. I accept an order on the world's stock of oats in the form of money which now bears the ratio of one dollar to the bushel. It is evident that if this ratio is changed before I elect to surrender my order and take the goods, I will be affected by the change; thus, if the money is inflated so that the ratio will at that time be one bushel of oats to two dollars, I will be able to get but five thousand bushels. If, on the other hand, the currency is contracted and the ratio becomes one bushel of oats to one-half dollar, then I will be able to get twenty thousand bushels with my money. All this goes to show, that, while a man's possessions are in the form of commodities, he is not concerned with the volume of money in circulation, as his commodities will always maintain a uniformly relative value to all other commodities. It is not till he exchanges his commodities for *money* that the change in the volume thereof in circulation becomes vital.

It is thus evident that one who is honestly using his money in business should be protected in this transition from wealth to the evidence thereof. The money *in circulation* must be kept at a stable quantity. Any sudden change therein disorganizes the whole system. The fact that the law compels a man to do business with the adopted medium of exchange, and to accept from his debtors and to give to his creditors legal tender, in the general course of business, causes a constant transition of commodities to money and of money back to commodities. This being true, no one should be compelled to

suffer loss, or permitted to gain a profit, in these transactions by any arbitrary or personally conducted expansion or contraction of the volume of money *in circulation.*

We are now on the gold standard, and for the purpose of this investigation we will admit that this best conserves the stable parity between money and commodities, so important to maintain; and that the production of gold will be sufficient to maintain that parity with the increasing wealth of the world. Nothwithstanding the fact that our monetary system is thus *theoretically* perfect, we still have a vivid conviction that something is wrong. The same old *malady* keeps continually *breaking out.* Of the two evils of inflation and contraction, the former is by far the lesser. It is an error on the side of the weak against the strong; it is "to err on the side of mercy," as it were. The results therefrom do not, and cannot, cause such wide-spread misery. This impels us to the conclusion that the seat of this malady is to be found in the realm of *contraction.* To become convinced that it is the periodic contraction of the currency which causes our industrial troubles, one has but to observe the actual workings of the system. I take it as a fact beyond doubt that every dollar of our money is now bearing interest, many times over, to the banking system. By this process, it develops that whatever money there is in circulation is there by leave of the money-lenders and bankers. Business is dependent upon the amount of money thus permitted to *circulate.*

This being true, we will watch actual results.

We have noted that the first symptom or indication of the breaking-out of the malady is *a stringency of money*. On all sides we hear the complaint that "money is tight." This complaint is well founded; money *is* tight and scarce. It is being taken out of circulation by the controllers thereof. This is easily accomplished; upon the receipt of a telegram from headquarters every bank throughout the country joins with Wall Street in calling in all outstanding obligations and refusing to make further loans. It is in the power of the controllers of this money to decrease in one day the amount in circulation to the checking accounts and the change in our pockets. This, of course, does not take into consideration money in safe-deposit vaults, which is not in circulation anyway. We would then have a contraction of the currency sufficient to put the purchasing power of a dollar as high as that of a thousand-dollar bill when things are normal. This, however, would bring certain disaster; so the same *idea* is carried out, but with dignified judgment. The currency is periodically contracted far enough to milk or squeeze business to the breaking point, when all of a sudden the pressure is relieved, money is turned loose *via* the loaning route, and we begin to feel the return of prosperity throughout the land. It will not avail our money-lending brethren to deny that they do this. Everyone who has had dealings with the banks has witnessed this mysterious and ever-recurrent practice of refusing loans and calling in all outstanding obligations.

We the people, as a whole, in our ignorance

of the true condition of affairs, look upon these disturbances as a thing of course, much the same as the ancients considered all calamities to be a visitation upon them, manifesting God's displeasure. When prosperity returns, we think that God has relented. Little we know that this prosperity is the placing of loaned dollars where they will do the most good in preparing the crop of milk and honey to be harvested on the next milking and squeezing raid. This legalized injustice is the direct result of permitting money, in the hands of private individuals, to be guaranteed against loss and assured of interest. This is a most dangerous power acquired through the erroneous conception that money is capital. In everyday life, we look with disfavor upon the practice of keeping two scales on hand—one for buying and the other for selling; one inflated and the other contracted. And yet the controllers of our money are operating upon the very same principle. They deal with the world's wealth with either an inflated or contracted currency; the one a buying scale, the other a selling scale, to be used alternately as best serves their purpose. In permitting money to become centralized by the unfounded notion that it is capital, and thus entitled to earn, we put into the hands of those who hoard the money the power to inflate or to contract at will the volume of money in circulation. This automatically "bulls" or "bears" the fruit of our labor so as to suit the avarice and designs of the controllers of the currency.

During the greenback and free-silver campaigns, all the facts and logic bearing upon the evils of

inflation were marshalled and launched in solid phalanx by the votaries of the doctrine of sound money, with convincing and irresistible effect. The people rallied to the banner of this logic and, by their votes, put an effectual quietus on that grim-visaged destroyer, Inflation. By so doing, the people placed a secure barrier against any hope of their ever gaining any unjust profit from the commodities, the products of labor, in their hands. Inflation is unscientific and unjust; it works an advantage to commodities and an injustice to money. Contraction, equally unscientific and unjust, works an advantage to money and an injustice to commodities. The people's interest lies naturally with commodities; the interests of the banks and money-lenders lie wholly in the realm of money.

Following a perfectly sane and logical course, the people, by their votes, erected an effectual barricade and are therefore fortified against the dangerous inflation of the volume of money in circulation. The torrents of greenbacks and free silver may now beat against this barricade, but their efforts will be unavailing. With a sublime confidence, the people rest assured that the money in circulation will thus be maintained at a constant and uniform level. They trustingly believe that with such protection it will and must remain normal; and that any theory to the contrary must, in the very nature of things, be baseless. With a consolation due from a great deed well done, the people now apply themselves to the task of producing wealth—commodities—and bringing them into a normal market. They learn

in time, however, that the volume of money available to carry on business has a most mysterious and distressing habit of contracting at the very worst time that such a thing could happen. Evidently, the medium of exchange leaks off into the banks, and is held there. The people, in their zeal to guard against an over-supply of the medium of exchange, lost sight of the disastrous consequences of subterranean channels leading into the banks. They had not detected the great distinction between the volume of money *in existence* and the volume of money *in circulation*. The more the medium leaks off into the banks, the more precious it becomes, and the greater the havoc wrought upon the producer and the consumer. These periodic leaks into the banks so deplete the volume of the medium of exchange, in circulation, that the commodities become stranded upon the shoals of bankruptcy. The consumer wants the goods and cannot get them; the producer wants to move the goods and cannot do so. They both suffer. In the meantime the banker and money-lender are enjoying a high grade of prosperity. What the first lose inures to the latter's gain. This is evident. The same mathematical demonstration, elsewhere herein, which shows how one hundred thousand dollars, with fifteen per cent reserve, will permit the use of five hundred and sixty-six thousand, six hundred and sixty-six dollars and sixty-six cents of credit; and on a five per cent reserve will permit one million nine hundred thousand dollars of credit to be utilized, will, when inversely reasoned, also demonstrate that one hundred thousand dollars taken out of

circulation will, in the same way, render the same amount of credit, respectively, unavailable. This stifles a commensurate amount of exchange.

The above statement is based upon the amount of credit made available to the immediate borrower, only, and takes no note of the millions of dollars-worth of credit which the above sum would make available to others, provided it could be kept out of the banks and in constant circulation. A homely example will illustrate: A, B, C, D, E, F, and G, and as many more as you may wish, have been engaged in business and have become mutually indebted. A has been successful in borrowing ten dollars from a bank and pays it to B, he to C, he to D, and so on to G, who pays it back to A. By going no further we have balanced seventy dollars-worth of accounts. It could go on indefiinitely. Or: Assume this money to be used in its legitimate capacity—that is, invested in commodities,—and we have the following condition: A will buy a commodity from B, and he from C, and so on; there is no limit to the amount of commerce which could thus be carried on. Locking up the ten dollars and hoarding it will make all this potential business impossible.

If civilization understands any one fact, it is that business cannot be carried on without money. No matter how much money may be in *existence,* if it is all withdrawn from use and locked up it has for that period as money *ceased* to exist, and industry is the sufferer.

The next task confronting the people is the proposition of stopping the leakage into the banks.

This is as simple as was the building of the barricade against inflation. They are each done by the will of the people, and evidenced by a few drops of ink on a statute-book. We are already secure against inflation; we must now secure ourselves against *contraction*. We experience no danger from flood; but we must by all means stop the leaks. The same facts and logic which were so successfully urged against inflation apply with equal force to that greater evil which results from contraction,—of the two evils, contraction is by far the more disastrous to commerce; and today we have no protection whatever against it. This engine of destruction is completely in the hands of the bankers and money-lenders, and they are answerable to no one. At will, "upon the mellowing of occasion" these gentlemen can, and do, demoralize business by the simple act of contracting the amount of money in circulation, which they do by calling in loans as fast as they become due and refusing to make new ones—a proceeding which causes the heart-rending miseries of poverty to stalk, gaunt-eyed, through homes where peace and plenty should be the rewards of honest labor. This condition places all business upon the insecure ground of human weakness swayed by avarice. At any moment, structures which have taken years of toil and application to erect may be torn from their foundations and left smoldering wrecks, monuments by the wayside, to mark the graves of martyrs to that erroneous idea that money is *capital,* and, as such, has the right to profit—and, more, to have that profit guaranteed.

History periodically devotes a chapter to the full verification of the foregoing facts. Let us read an appropriate chapter on the English panic of 1847:

"In modern England, as in ancient Italy, the weakest sank first, and the landed gentry succumbed, almost without resistance, to the combination which Lombard Street made against them. Yet, though the manufacturers seemed to triumph, their exultation was short, for the fate impended over them, even in the hour of their victory, which always overhangs the debtor when the currency has been seized by the creditor class. By the 'Bank Act' the usurers became supreme, and in 1846 the potato crop failed even more completely than in 1845. Credit always is more sensitive in England than in France, because it rests upon a narrower basis, and at that moment it happened to be strained by excessive railway loans. With free trade in corn, large imports of wheat were made, which were paid for with gold. A drain set in upon the banks, the reserve was depleted, and by October 2, 1847, the directors denied all further advances. Within three years of the passage of his statute, the event Loyd had foreseen arrived. 'Monetary distress' began to force down prices. The decision of the directors to refuse discounts created 'a great excitement in the stock exchange. The town and country bankers hastened to sell their public securities, to convert them into money. The difference between the prices of consols for ready money and for the account of the 14th of October (only twelve days off), showed a rate of interest equivalent to 50 per cent

per annum. Exchequer bills were sold at 35s. discount.' * * * 'A complete cessation of private discounts followed. No one would part with the money or notes in his possession. The most exorbitant sums were offered to and refused by merchants for their acceptances.'

"Additional gold could only be looked for from abroad, and as a considerable time must elapse before specie could arrive in sufficient quantity to give relief; the currency actually in use offered the only means of obtaining legal tender for the payment of debts. Consequently hoarding became general, and, as the chancellor of the exchequer afterward observed, 'an amount of circulation which, under ordinary circumstances, would have been adequate, became insufficient for the wants of the community.' Boxes of gold and bank-notes in 'thousands and tens of thousands of pounds' were 'deposited with bankers.' 'The merchants,' the chancellor said, begged for notes: 'Let us have notes—we don't care what the rate of interest is. Only tell us we can get them, and this will at once restore confidence.'

"But, after October 2, no notes were to be had, money was a commodity without price, and had the policy of the 'Bank Act' been rigorously maintained, English debtors, whose obligations then matured, must have forfeited their property, since credit had ceased to exist and currency could not be obtained wherewith to redeem their pledges.

"The instinct of the usurer has, however, never been to ruin suddenly the community in which he has lived: only by degrees does he exhaust human vital-

ity. Therefore, when the great capitalists had satisfied their appetites, they gave relief. From the 2d to the 25th of October, contraction was allowed to do its work; then Overstone intervened, the government was instructed to suspend the 'act', and the community was promised all the currency it might require.

"The effect was instantaneous. The letter from the cabinet, signed by Lord Russell, which recommended the directors of the bank to increase their discounts, 'was made public about one o'clock on Monday, the 25th, and no sooner was it done so than the panic vanished like a dream! Mr. Gurney stated that it produced its effect in ten minutes! No sooner was it known that notes *might* be had, than the want of them ceased!' Large parcels of notes were 'returned to the Bank of England cut into halves, as they had been sent down into the country.' The story of this crisis demonstrates that, by 1844, the money-lenders had become autocratic in London * * *.

"There was extreme suffering throughout the country, which manifested itself in all the well-known ways. The revenue fell off, emigration increased, wheat brought but about five shillings the bushel, while in England and Wales alone there were upward of nine hundred thousand paupers. Discontent took the form of Chartism, and a revolution seemed imminent."—Law of Civilization and Decay, pages 342-345,—By Brooks Adams.

From this chapter certain facts stand out in bold relief:

1st. "By the 'Bank Act' the usurers became supreme."

2nd. "A drain set in upon the banks."

3d. "The directors denied all further advances."

4th. "The decision of the directors to refuse discounts created a great excitement in the stock exchange. The town and country bankers hastened to sell their public securities, to convert them into money."

5th. "A complete cessation of private discounts followed."

6th. "Hoarding became general."

7th. "The merchants begged for notes."

8th. "There was extreme suffering throughout the country."

9th. "When the great capitalists had satisfied their appetites they gave relief."

10th. "The effect was instantaneous."

We here have the Ten Commandments of all well-devised panics; those of 1873, 1893, 1907, and 1921 were all brought on by a rigid adherence to the same formula.

Gold and silver are the best substances available for the standard of our currency. They are sufficiently stable and convenient, and exist in ample quantities for all purposes. The periodical collapse of a metallic standard can in no way be attributed to the circumstance that it is *metallic;* for these conditions arise solely from the fact that it becomes unavailable by reason of the hoarding of it by those who assert their assumed right so to do.

The moment the amount of money available *for circulation* becomes equal to, and as equable as, the amount *in existence,* there will be no fear of collapse. But as long as the world accepts the doctrine that money is a commodity, subject to private ownership and control, the evil of hoarding will be present.

CHAPTER XI

LAW AND FACTS

THE SUBJECT of money is disposed of by the United States Constitution with extreme brevity. It is as follows:

Article 1, Sec. 8. Clause 5: The Congress shall have power "to coin money, regulate the value thereof, and of foreign coin."

This provision gives to Congress the exclusive right to do three things: 1st, To coin money. 2d, To regulate the value of money. 3d, To regulate the value of foreign coin. These three rights are of equal importance. The right of Congress to coin money, and a denial of that right to the States or to individuals, is unquestioned. The right of Congress to *regulate the value* of domestic money and of foreign coin, and a denial of that right to the States or to individuals, is equally beyond question.

A proper construction of this provision of the Constitution turns upon the true meaning of the words *"regulate the value thereof."* Thus far, Congress has acted upon the narrow and erroneous construction that to regulate the value of money means to establish the number of grains of gold in a dollar; see U. S. Revised Statutes, Sec. 3511. If establishing the number of grains of gold in a dollar regulates the value thereof, Congress could, if given like authority, regulate the value of brass by estab-

lishing the number of ounces of copper it should contain to the pound. This would regulate the value of brass, and the law of supply and demand could be thrown to the discard. Although Congress assumes that prescribing the number of grains of gold in a dollar regulates the value thereof, it seems to have realized the impossibility of regulating the value of foreign coin in the same way; so, to its mind, the following act would accomplish the desired result:

Tariff Act of August 27, 1894, ch. 349, Sec. 25: "That the value of foreign coin as expressed in the money of account of the United States shall be that of the pure metal of such coin of standard value * * * *Provided,* that the Secretary of the Treasury may order the liquidation of any entry at a different value, whenever satisfactory evidence shall be produced to him," etc.

This Act *fixes a value* of foreign coin, but does not *regulate its value.* On the contrary, the proviso gives to the Secretary of the Treasury the power to regulate the value of foreign coin. Although the Constitution empowers Congress to *regulate* the *value* of money, Congress has thus far failed to do so. The framers of the Constitution of the United States were not so absurd as to assume the regulation of a thing not in existence. They empowered Congress, first, to *coin money;* and it is this money, *after* it is coined, which is to have its value regulated. The meaning of the term "regulate" has repeatedly received judicial construction.

"A power to regulate certainly implies a con-

tinued existence of the subject matter to be regulated." 54 Mo. 17-34. 72 Tenn. (4 Lea), 1-13.

" 'Regulate', as used in the Act of February 15, 1877, * * * means and includes the power to control." 16 Neb., 681.

" 'Regulate', as used in Gen. Incp. Law, Art. 5, Sec. 1, cl. 9, includes control, and hence it authorizes a city to control such streets." 115 Ill., 155.

"The term 'regulate' ordinarily implies, not so much the establishment of a new thing, as the arrangement in proper order of such as already exist." 26 Fed. Cas., 185-193.

"I very much doubt if anyone would contend that by 'by-law' the legislature meant to grant a power to create,—to grant something new and independent for the welfare of the city. It certainly impresses me most strongly that in this sense a by-law is to be understood as the means by which something that is already instituted or declared is to be considered. It is a pointing out of the method or the steps beforehand by which the city authorities shall carry out what they have by more solemn ordinance already declared should be done. And I think this reasoning applies with particular force to the word 'regulate.' Certainly, the word 'regulate' does not mean to create or ordain." 10th Atl., 809-811. N. J. Eq.

The Constitution of the United States uses the word "regulate" in the same sense as above in clause 3 of the same Sec. and Article as follows: "To regulate commerce with foreign nations, and among the several States, and with the Indian

tribes," and in almost the same breath gives the power to regulate the value of money. Being thus used in the same manner and at the same time and in the same sense it must be intended to have the same meaning. This meaning has been judicially determined by the Supreme Court of the United States:

"The power to regulate commerce comprehends the control for that purpose, and to the extent necessary, of all navigable waters of the United States which are accessible from a State other than those in which they lie. For this purpose they are the public property of the nation, and subject to all the requisite legislation by Congress. This necessarily includes the power to keep them open and free from any obstruction to their navigation, interposed by the States or otherwise; to remove such obstructions when they exist; and to provide, by such sanctions as they may deem proper, against the occurrence of the evil and for the punishment of the offense." 70 U. S. (3 Wall.) 713-724. 93 U. S. 9-10.

Apply the law of the above decisions to money in the scope and sense that the court applies it to commerce, and the money question would be solved.

Money is not a commodity—that is, wealth produced by individuals for the purpose of barter and trade; but it is, however, a governmental factor of commerce which, in common with true commodities, is subject to the law of supply and demand. No one can successfully deny that a supply of money in excess of the requirements of exchange means

a money of lesser value, while requirements of exchange in excess of the supply of money mean money of greater value. Money is, therefore, directly amenable to the law of supply and demand; and whoever regulates the supply of money, that is, the amount permitted to circulate at any given time, will be *the party* who regulates the value thereof. That money has a very fluctuating value after coinage is patent; and that Congress should regulate this value is evident. This it has failed to do. Contrary thereto, it delegates this important Constitutional function to the bankers and money-lenders, and they regulate the value of money at will, and always to their own best interests, and with a total disregard of the rights and interests of the people. They, the bankers and money-lenders, have thus become a co-ordinate branch of the government, self-constituted and answerable to naught but their own interests.

The value of money can be, and is, regulated solely by control of the volume in circulation; and this control is, and rightly so, placed in Congress by the Constitution. To enforce this right, the government must retain control of the volume of money in circulation; and the method for accomplishing this is by the establishment of government banks, thereby taking that control out of the hands of private individuals. This change would cause no confusion whatever. Business would be conducted in the same manner as at present. The government would make a charge for the use of the money, just as the bankers do today; but this charge would

not be interest as now understood. It would be an indirect tax upon the people for the purpose of defraying governmental expenses. This would do away with the present army of tax-gatherers and provide an even and just levy of taxes in proportion to the amount of consumption; the rich, being larger consumers, would justly pay a larger tax than their poorer neighbors.

This tax, levied by the government, would be *paid* back to the people; while under the present system the tax is levied by private individuals and is to be *loaned* back only, thus to become a constant and consuming debt, and for no value received by the people. We are now paying this tax to the banks and money-lenders for the privilege of using our credit, and we must then pay to the government a tax upon the commodity for which we exchanged our credit; thus paying a double tax. The tax thus collected by the bankers and money-lenders is far in excess of that collected by the government.

Money is the blood of commerce, and it could and would, if unrestricted, circulate through the industrial body, insuring good health thereto, just as that vital fluid maintains equilibrium in a living body. Give me the control of the blood in your body, and I can tell you to a day when you will be very sick; I can also tell you to a day when you may become normal; I can likewise tell you exactly what you must do, *for me*, before I will permit you to become normal. My control of the volume of blood permitted to flow through your system will assuredly regulate the value of that blood to you.

The circumstance that you need that medium, blood, in *your* body, and that the commercial world needs that medium, money, in *its* body, must be evident to every thinking mind.

The fact that Nature has established a substance to us known as blood, with so many red and so many white corpuscles to a given amount thereof, and the fact that Congress has established a substance, to us known as money, with so many grains of gold and so many grains of silver to a given amount thereof, go no further than to fix and establish what these two substances are to be. The value of each is regulated by the flow. A normal flow of either will cause us to place a normal value thereon; but, curtail the flow, and their value is immediately enhanced. All money not in immediate use by a citizen should be kept on deposit at a government bank. This would in no way affect his credit, as his money, or rather credit, will always be at his command, when he desires to use it legitimately. No one would be the loser by this system. Each would have his account at the bank just as he has now, and would have that account guaranteed by the full faith and credit of the government, which is more than he has now. He would have the further satisfaction of knowing that no private individual would be levying a tax upon him for the use of the government's day-book, for private gain, under the mistaken idea that it was his to do with as he saw fit, which is in turn based upon that most violent assumption that he had earned it. Furthermore, the depositor would be assured that no private individual

could arbitrarily refuse him the privilege of making an entry in said day-book to the full extent of his credit. Government control of its guaranties—money—and of the tokens thereof, is the only solution of that vexed problem of maintaining in circulation a uniform volume of the medium of exchange. Under these conditions anyone desiring to borrow money would have his credit assessed by a board of appraisers consisting of local appointees, the appraisment to be in a fixed ratio to his assessments for taxation. Every board of directors of a bank is now acting as a self-constituted board of appraisers, and their decisions are arbitrary and unappealable. Safe-deposit vaults, and exportation of money abroad, and all other methods whereby money is arbitrarily withdrawn from use by the individual, must be outlawed; and all money thus manipulated must be forfeited to the government.

To those whose education and philosophy have taught them a profound reverence for their individual conceptions of those much misunderstood terms "vested rights" and "earning power," this proposition will seem untenable. But that question does not enter here; there can be no vested rights in the medium of exchange. Even though such a thing could be possible, the proposition is still in no way repulsive. If a man were to construct a bludgeon, no one could deny that he had a vested right in that bludgeon; and if he sallied forth upon the street and by a dexterous use of it soon found himself several hundred dollars to the good, no one could deny its earning power. That the law "ruthlessly infringes"

these rights causes no regrets, save to the owner of the bludgeon. "Vested rights" should and will be protected as long as they are not used in a manner inimical to society, and their "earning power" will be approved as long as they give an adequate "value received."

Conceding, for the sake of this argument, that a man could have a "vested right" in the law of the land—money—and also in the functioning of that law, —adequate circulation of money,—we will find him in the same relation to society that the man with the bludgeon holds; he uses his "vested right" in a manner inimical to society, and gives no "value received" to compensate its "earning power." Society is the sufferer in each instance. The only distinction is that the man with the bludgeon is not in a position to do the colossal harm which lies in the power of the other; he can harm only one at a time, and that in the dark and at imminent risk of losing his life in the attempt; the other reaches all alike, on the crowded thoroughfares and in broad daylight. I state these as simple facts and without malice. The brightest jewel in the diadem of reason is *common sense.*

The idea that the banking business would be a disturbing element in politics if operated as a department of government is a bugaboo. The record of the other departments of government refutes any such fears. To say the very least, government employees operating the banks would not be in a position to "play favorites" in the slightest degree as compared to the powers and practices of the bankers under the present system.

Let us reverse our reasoning and take the Post Office out of being a government department and place it in the hands of private individuals, with full power periodically to increase or to diminish the amount of service available as best might serve their purpose. Further: Let us endow them with the power to refuse to any individual, and at any time, the right to use the Post Office and its service, notwithstanding his credit is perfect, i. e. he has plenty of postage stamps, and *vice versa* that they can grant all these privileges to others, although minus credit—postage stamps. And further: Let us provide that they can charge any rate of postage which the necessities for postal service should impose upon the community; in other words, let us turn the Post Office department over to an organization which would be an exact duplicate of our present banking system—and in a short while we would all realize that the change was a disastrous mistake.

The distributing of our mail is not half so much of a government function as is that of the distributing of our medium of commerce. The Post Office operated by the government is a splendid success, and it would be a gigantic failure if operated by private individuals as our banks now are. When operated by private individuals the banks are failures in public service; they would be a highly beneficent success if operated by the government, and there would be no more danger of political corruption than there is now in regard to

the Treasury Department or the Post Office Department.

Elliott, in his work on Usury, page 182, says: "One cent loaned January 1, A. D. 1, drawing interest at the rate of 6 per cent compounded annually, on January 1, 1895, would amount to $8,497,840,000,000,000,000,000,000,000,000,000,000,000,000,000. (8,497,840,000 decillions of dollars). To pay this in gold, 23.10 grains to the dollar, using it in spheres of pure gold the size of the earth, would take 610,070,000,000,000,000 spheres of gold to pay the debt."

If Methusalah at twenty-one years of age had loaned one dollar at 6 per cent, compounded yearly, that single dollar at the time of his death, nine hundred and forty-eight years later, would have grown to more than $977,000,000,000,000,000,000,000,000. (977 sextillions of dollars). Figures by McCoy, government actuary.

Debts of the government, of States, cities, counties, school districts, port districts, improvement districts, transportation corporations, all industrial corporations, private mortgages and bank loans, amount to more than $150,000,000,000; approximately $1,500.00 for every man, woman and child in the United States.—Figures by Richardson.

Virtually all this debt has been accumulated in the last fifty years, and each individual is paying on this sum to the extent of his or her consumption of wealth. This sum at 5 per cent, compounded yearly, will double in fourteen and two-tenths years. In other words, the people in fourteen and two-tenths years will have paid cash, as interest, equal to

the debt and still owe the debt. This money thus paid as interest will be re-loaned, thereby increasing the debt to three hundred billions of dollars. In the succeeding fourteen and two-tenths years, at 5 per cent compounded yearly, this debt will become six hundred billions of dollars. The entire wealth of the United States is, today, approximately $400,000,000,000.—Figures by Crammond.

A farm mortgaged for more than it is worth is of no value to the owner. A nation hopelessly insolvent is of no value to its citizens. All those who so smugly and complacently drift along from day to day, convinced of the divine rights of interest-bearing debts, may well do some computing with the above figures. The answer will be interesting. This appalling condition is to be attained by a mercenary few, through the use of government equipment (public property) for private gain. The entire programme is to be "put across" under the pretense that money is a commodity; the while each citizen, with a superficial understanding hampered with convictions, is to accept this fallacy as a fact. No one can deny the astounding accrescent power of money under the interest system; nor its controlling power thus amassed. This power now lodges in the banking system. The bankers are human beings engaged in business for gain. They will, and they do, use this power for all there is in it.

Thus far there is apparently no argument. It is not till the question of the *right* of the banking system, as now constituted, to perform the above functions is approached, that dissension appears. The

great majority thoughtlessly accept this right as established. They assume that money is a commodity, a thing to be privately owned, and traded and bartered at will, like any other commodity. With this point fixed in their minds, they have no trouble in applying the laws of economics, and they emerge from the controversy fully satisfied with their conclusions. The only relief which they visualize is, that by a show of righteous indignation, in time of stress, the system will be moved to compassion.

No reform, be it ever so urgent, can be inaugurated under our present system. Whatever the reform, if it militates against the interests of the bankers and money-lenders, it will result in hard times. This is not the effect of the reform, as that may be of the utmost benefit to the people; but, as a discipline, the bankers and money-lenders, having exhausted every other means to defeat the reform, will, when once the reform is in effect, withdraw the blood of commerce and arbitrarily create hard times. The average citizen, in ignorance of the true cause of the catastrophe, will be apt to blame the reform, and wish, at the earliest opportunity, to return to the old regime.

No nation can long survive a condition where a portion of its people are morally and intellectually pauperized by abnormal wealth, and the remainder morally and intellectually pauperized by abnormal poverty. Greece, Rome, and Poland exemplified this fact. The danger of this condition was foreseen by Abraham Lincoln. Near the close of the Civil War, Mr. Lincoln said:

" I see in the near future a crisis arising which unnerves me and causes me to tremble for the safety of my country. The money power of the country will endeavor to prolong its reign by working upon the prejudices of the people until all the wealth is aggregated in a few hands and the Republic is destroyed. I feel at this time more anxious for my country than even in the midst of war."

CHAPTER XII

THE REMEDY

FIRST ask yourself the question: Why should the government be called upon to pay a tax to a few private individuals for the privilege of existing and functioning? and, why should the producers of the world be held to pay a tax to the same individuals for the privilege of producing, and also to be subservient to their every whim and caprice? That there is no valid reason for this condition is evident. The following remedy will cure this evil:

1st. Dispel the idea that money is a commodity, and as such subject to private ownership and control. The abandonment of this idea will automatically terminate hoarding by private individuals who withdraw money from circulation.

2d. Preserve the present system of banking as a department of government, the same as the Postal System.

3d. Operate the banks as usual, both for deposit and circulation; the government to charge for the use of the money a tax sufficient to defray all government expenses.

4th. Create in the banking department a Bureau of Assessment which will, by means of local boards, assess the credit of each individual or concern desiring or using bank credit; the assessment to be

conducted and levied the same as assessments in the present plan of taxation, and as just and uniform.

5th. Organize an Equalization Board whose decisions will be appealable to a properly constituted court.

6th. Provide a court of ultimate resort to hear and decide appeals.

7th. Make the concealment of money in safe-deposits, or otherwise, punishable.

8th. Make the loaning of money by private individuals, for gain, punishable.

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